1988

Reproducible Federal Tax Forms for Use in Libraries

Volume 1

This publication of reproducible Federal Tax Forms was published as an aid to taxpayers who have a need for specific tax forms and find it more convenient and timely to obtain photocopies at their local library. Only selected tax forms are included in this volume. Most taxpayers are furnished a Taxpayer Order Blank in the individual income tax package sent to their home or place of business which may be used to order tax forms. Additional tax forms are available from most IRS Offices and IRS Forms Distribution Centers which are listed in this volume.

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Tax practitioners who require quantities of certain tax forms should call their district office and request a copy of IRS Publication 1045, *Information for Tax Practitioners*. Publication 1045 contains order blanks for obtaining limited quantities of tax forms and general information to aid practitioners in the preparation of Federal Tax Forms.

Department of the Treasury
Internal Revenue Service
Publication 1132-Vol.1(Rev. 12-88)

best copy available

Notice Concerning Material Listed In The Table Of Contents

The forms and instructions that were not available when Publication 1132, Volume 1 went to print are notated in the Table of Contents with an asterisk (*). Volume 2 will contain these items and is scheduled for distribution in late January. There will be separte instructions for Form 4952 for 1988 and will be included in Volume 2. Any forms not included in Volume 1 or 2 of this publication, can be obtained from the IRS, using a photocopy of the order blank on page 245.

For a complete Subject Index of all tax forms and related items, see Publication 1200.

How To Locate A Form In This Publication

If you know:	then to locate it use the:
—*the Form Number*	—*Table of Contents found beginning on page i.*
—*the Title of a form*	—*Alphabetical Index of Federal Tax Forms beginning on page ii.*

Forms Not Contained In This Publication

The following forms are not contained in this kit of Reproducible Forms because they are specially printed (machine readable or multi-part) forms. If printed copies of these forms are not available at this location, they may be obtained from the IRS. See instructions on page 247.

Form	*Title*
Form W-2	Wage and Tax Statement
Form W-2C	Form W-2 Correction
Form W-2G	Statement for Certain Gambling Winnings
Form W-2 GU	Guam Wage and Tax Statement
Form W-2P	Statement for Recipients of Annuities, etc.
Form W-2VI	U.S. Virgin Islands Wage and Tax Statement
Form 1098	Mortgage Interest Statement
Form 1099-A	Acquisition or Abandonment of Secured Property
Form 1099-B	Statement for Recipients of Proceeds from Broker
Form 1099-DIV	Statement for Recipients of Dividends and Distributions
Form 1099-G	Statement for Recipients of Certain Government Payments
Form 1099-INT	Statement for Recipients of Interest Income
Form 1099-MISC	Statement for Recipients of Miscellaneous Income
Form 1099-OID	Statement for Recipients of Original Issue Discount
Form 1099-PATR	Statement for Recipients of (Patrons) of Tax
Form 1099-R	Statement for Recipients of Lump-Sum Distributions
Form 1042S	Income Subject to Withholding Under Chapter 3
Form 5498	Individual Retirement Arrangement Information

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1989 Form W-4

Department of the Treasury
Internal Revenue Service

Purpose. Complete Form W-4 so that your employer can withhold the correct amount of Federal income tax from your pay.

Exemption From Withholding. Read line 6 of the certificate below to see if you can claim exempt status. If exempt, only complete the certificate; but do not complete lines 4 and 5. No Federal income tax will be withheld from your pay.

Basic Instructions. Employees who are not exempt should complete the Personal Allowances Worksheet. Additional worksheets are provided on page 2 for employees to adjust their withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply to your situation. The worksheets will help you figure the number of withholding allowances you are entitled to claim. However, you may claim fewer allowances than this.

Head of Household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals.

Nonwage Income. If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form 1040-ES. Otherwise, you may find that you owe additional tax at the end of the year.

Two-Earner/Two-Jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. This total should be divided among all jobs. Your withholding will usually be most accurate when all allowances are claimed on the W-4 filed for the highest paying job and zero allowances are claimed for the others.

Advance Earned Income Credit. If you are eligible for this credit, you can receive it added to your paycheck throughout the year. For details, obtain Form W-5 from your employer.

Check Your Withholding. After your W-4 takes effect, you can use **Publication 919,** Is My Withholding Correct for 1989?, to see how the dollar amount you are having withheld compares to your estimated total annual tax. Call 1-800-424-3676 (in Hawaii and Alaska, check your local telephone directory) to obtain this publication.

Personal Allowances Worksheet

A Enter "1" for **yourself** if no one else can claim you as a dependent . . . . . A ____

B Enter "1" if:
1. You are single and have only one job; or
2. You are married, have only one job, and your spouse does not work; or
3. Your wages from a second job or your spouse's wages (or the total of both) are $2,500 or less.

. . . . . B ____

C Enter "1" for your **spouse.** But, you may choose to enter "0" if you are married and have either a working spouse or more than one job (this may help you avoid having too little tax withheld) . . . . . C ____

D Enter number of **dependents** (other than your spouse or yourself) whom you will claim on your tax return . . . . . D ____

E Enter "1" if you will file as a **head of household** on your tax return (see conditions under "Head of Household," above) . . E ____

F Enter "1" if you have at least $1,500 of **child or dependent care expenses** for which you plan to claim a credit . . . . F ____

G Add lines A through F and enter total here . . . . . ▶ G ____

For accuracy, do all worksheets that apply.

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, turn to the Deductions and Adjustments Worksheet on page 2.
- If you are **single** and have **more than one job** and your combined earnings from all jobs exceed $25,000 OR if you are **married** and have a **working spouse or more than one job,** and the combined earnings from all jobs exceed $40,000, then turn to the Two-Earner/Two-Job Worksheet on page 2 if you want to avoid having too little tax withheld.
- If **neither** of the above situations applies to you, **stop here** and enter the number from line G on line 4 of Form W-4 below.

---------- **Cut here and give the certificate to your employer. Keep the top portion for your records.** ----------

Form **W-4** Department of the Treasury Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **For Privacy Act and Paperwork Reduction Act Notice, see reverse.**

OMB No. 1545-0010

1989

1 Type or print your first name and middle initial | Last name | 2 Your social security number

Home address (number and street or rural route)

City or town, state, and ZIP code

3 Marital Status ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate.
Note: *If married, but legally separated, or spouse is a nonresident alien, check the Single box.*

4 Total number of allowances you are claiming (from line G above or from the Worksheets on back if they apply) . . . 4

5 Additional amount, if any, you want deducted from each pay . . . . . 5 $

6 I claim exemption from withholding and I certify that I meet **ALL** of the following conditions for exemption:
- Last year I had a right to a refund of **ALL** Federal income tax withheld because I had **NO** tax liability; **AND**
- This year I expect a refund of **ALL** Federal income tax withheld because I expect to have **NO** tax liability; **AND**
- This year if my income exceeds $500 and includes nonwage income, another person cannot claim me as a dependent.

If you meet all of the above conditions, enter the year effective and "EXEMPT" here . . . . . ▶ 6 19

7 Are you a full-time student? (**Note:** *Full-time students are not automatically exempt.*) . . . . . 7 ☐ Yes ☐ No

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or entitled to claim exempt status.

Employee's signature ▶ **Date** ▶ , 198

8 Employer's name and address (**Employer:** Complete 8 and 10 **only if sending to IRS**) | 9 Office code (optional) | 10 Employer identification number

Deductions and Adjustments Worksheet

Note: *Use this worksheet only if you plan to itemize deductions or claim adjustments to income on your 1989 tax return.*

1 Enter an estimate of your 1989 itemized deductions. These include: qualifying home mortgage interest, 20% of personal interest, charitable contributions, state and local taxes (but not sales taxes), medical expenses in excess of 7.5% of your income, and miscellaneous deductions (most miscellaneous deductions are now deductible only in excess of 2% of your income) . . . . . 1 $

2 Enter: { $5,200 if married filing jointly or qualifying widow(er) / $4,550 if head of household / $3,100 if single / $2,600 if married filing separately } . . . . . 2 $

3 **Subtract** line 2 from line 1. If line 2 is greater than line 1, enter zero . . . . . 3 $

4 Enter an estimate of your 1989 adjustments to income. These include alimony paid and deductible IRA contributions . . . . . 4 $

5 **Add** lines 3 and 4 and enter the total . . . . . 5 $

6 Enter an estimate of your 1989 nonwage income (such as dividends or interest income) . . . . . 6 $

7 **Subtract** line 6 from line 5. Enter the result, but not less than zero . . . . . 7 $

8 **Divide** the amount on line 7 by $2,000 and enter the result here. Drop any fraction 8

9 Enter the number from Personal Allowances Worksheet, line G, on page 1 9

10 **Add** lines 8 and 9 and enter the total here. If you plan to use the Two-Earner/Two-Job Worksheet, also enter the total on line 1, below. Otherwise, **stop here** and enter this total on Form W-4, line 4 on page 1 10

Two-Earner/Two-Job Worksheet

Note: *Use this worksheet only if the instructions at line G on page 1 direct you here.*

1 Enter the number from line G on page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet) 1

2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here 2

3 If line 1 is **GREATER THAN OR EQUAL TO** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "0") and on Form W-4, line 4, on page 1. **DO NOT** use the rest of this worksheet 3

Note: *If line 1 is **LESS THAN** line 2, enter "0" on Form W-4, line 4, on page 1. Complete lines 4–9 to calculate the additional dollar withholding necessary to avoid a year-end tax bill.*

4 Enter the number from line 2 of this worksheet 4

5 Enter the number from line 1 of this worksheet 5

6 **Subtract** line 5 from line 4 6

7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here . . . . . 7 $

8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding amount needed . . . . . 8 $

9 Divide line 8 by the number of pay periods each year. (For example, divide by 26 if you are paid every other week.) Enter the result here and on Form W-4, line 5, page 1. This is the additional amount to be withheld from each paycheck . . . . . 9 $

Table 1: Two-Earner/Two-Job Worksheet

Married Filing Jointly		All Others	
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
0 - $4,000	0	0 - $4,000	0
4,001 - 8,000	1	4,001 - 8,000	1
8,001 - 18,000	2	8,001 - 13,000	2
18,001 - 21,000	3	13,001 - 15,000	3
21,001 - 23,000	4	15,001 - 19,000	4
23,001 - 25,000	5	19,001 and over	5
25,001 - 27,000	6		
27,001 - 32,000	7		
32,001 - 38,000	8		
38,001 - 42,000	9		
42,001 and over	10		

Table 2: Two-Earner/Two-Job Worksheet

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
0 - $40,000	$300	0 - $23,000	$300
40,001 - 84,000	560	23,001 - 50,000	560
84,001 and over	660	50,001 and over	660

Privacy Act and Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We may give the information to the Department of Justice for civil or criminal litigation and to cities, states, and the District of Columbia for use in administering their tax laws. You are required to give this information to your employer.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping** 46 mins., **Learning about the law or the form** 10 mins., **Preparing the form** 70 mins. If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Form **W-5**
Department of the Treasury
Internal Revenue Service

Earned Income Credit Advance Payment Certificate

► **For Privacy Act notice, see back of form.**

1989

Instructions

If you expect your 1989 earned income and adjusted gross income each to be less than $19,340, you may be eligible for the earned income credit. Please read these instructions carefully. (**Note:** *Your **1988** adjusted gross income was reported on Form 1040A, line 13, on Form 1040EZ, line 3, or on Form 1040, line 31.*)

What Does the Earned Income Credit Do?— It can provide payments of up to $910 to taxpayers who have incomes under $19,340 and have a child living with them. If you are eligible for the credit, you can get it even if you owe no tax.

Who Can Take the Earned Income Credit?— The checklist below will help you find out if you may be eligible for the credit. If you answer "Yes" to each question, you may be eligible for the credit. If you answer "No" to any question on the checklist, you are not eligible for the credit and should not fill in the certificate.

Also, you are not eligible for the credit if you expect to claim the foreign earned income or housing expense exclusion or the foreign housing expense deduction.

Advance Payment of the Earned Income Credit.—If you are eligible, you can choose to get the credit in advance with your pay instead of waiting until you file your tax return. You will get the credit on your annual tax return even if you do not complete this form.

To receive the credit in advance with your pay, fill in the bottom part of this form and give it to your employer. You may have only one certificate in effect with a current employer at one time. If you and your spouse are both employed, each of you should file a separate Form W-5.

If Your Status Changes.—If you file this form with your present employer and your status changes during 1989, you usually will have to fill out a new certificate.

If your status changes so that any answer in the earned income credit checklist becomes "No," or if you no longer want to receive advance payments, you must file a new certificate. Check the "No" box in question 1 on the new certificate to show that you are not qualified or no longer want to get advance payments.

If your status changes because your spouse files a certificate with his or her employer, you must file a new certificate with your employer showing in question 3 that your spouse has filed.

Additional Information

If you receive advance payments, you must file Form 1040 or Form 1040A for 1989.

If you receive advance payment of the earned income credit and later find out that you are not eligible, you will have to pay it back when you file your annual tax return.

This certificate expires on December 31, 1989. If you expect to qualify for the earned income credit in 1990, you must file a new certificate for 1990.

If you need more information, see **Publication 596,** Earned Income Credit, which is available at most IRS offices.

Earned Income Credit Checklist

To find out if you may be eligible for the earned income credit, please answer the questions below for 1989.

		Yes	No
A	Do you expect your earned income and adjusted gross income each to be less than $19,340 (including your spouse's income)?		
B	Do you expect to have a child live with you in the U.S. for more than half of 1989, or for all of 1989 if you are a qualifying widow(er)?*		
C	Check and answer (1), (2), or (3) below, whichever applies.		
	(1) ☐ Married. Do you expect to file a joint return?		
	(2) ☐ Married. Do you expect to qualify to file as head of household?** } ***		
	(3) ☐ Not married. Do you expect to pay more than half the cost of keeping up a household this year? } ***		
D	Do you expect to be eligible to claim an exemption for a child who will live with you, OR do you expect to qualify as head of household because of an unmarried child who cannot be taken as an exemption? (If either answer is yes, check "Yes.") **Note:** *If you are a custodial parent and would have been eligible to claim an exemption for the child, except that you either signed a written declaration or have a pre-1985 divorce decree or separation agreement permitting the noncustodial parent to claim the exemption, check "Yes" for question D.*		

*The amount of time your child lives with you includes any time he or she may have spent away at school or on vacation. If you are married filing a joint return or are a qualifying widow(er), the term "child" includes your son, daughter, stepchild, adopted child, child placed with you by an authorized placement agency for adoption by you, or foster child (any other child, such as your grandchild, whom you care for as your own child for the whole year). If you are a head of household, the term "child" includes your son, daughter, stepchild, adopted child, or a descendant of your son, daughter, or adopted child.

**The instructions for filing Form 1040 and Form 1040A explain the conditions under which a married person can qualify to file as head of household.

***If you receive payments under the Aid to Families with Dependent Children (AFDC) program and use them to pay part of the cost of keeping up this home, you may not count these amounts as furnished by you.

▼ *Give the lower part of this form to your employer; keep the top part for your records.* ▼

Detach along this line

Form **W-5**
Department of the Treasury
Internal Revenue Service

Earned Income Credit Advance Payment Certificate

This certificate expires on December 31, 1989.

1989

Type or print your full name

Your social security number

Home address (number and street or rural route)

City or town, state, and ZIP code

Note: *If you file Form W-5 with an employer to receive advance payments of the earned income credit for 1989, you must file Form 1040 or Form 1040A for 1989. If married, you must file a joint return (unless you qualify to file as head of household).*

		Yes	No
1	I expect to be eligible for the earned income credit for 1989, I have no other certificate in effect with any other current employer, and I choose to receive advance payment of the earned income credit		
2	Are you married?		
3	If you are married, does your spouse have a certificate in effect for 1989 with any employer?		

Under penalties of perjury, I declare that the information I have furnished above is, to the best of my knowledge, true, correct, and complete.

Signature ►

Date ►

The following information is provided under the Privacy Act of 1974:

Internal Revenue Code section 3507 and its regulations say that you must fill out an earned income credit advance payment certificate and give it to your employer if you want the advance payment. Section 6109 and its regulations say that you must show your social security number on what you file.

The main purpose in asking for this certificate is to pay the advance earned income credit. This information may also be given to the Department of Justice and other Federal agencies, as provided by law. In addition, we may give it to certain cities, states, and the District of Columbia to carry out their tax laws.

If you do not fill out a signed earned income credit advance payment certificate, you will not receive an advance payment. However, if you are eligible and do not complete Form W-5, you will still get the credit on your tax return.

Form **990-W** (WORKSHEET)

Department of the Treasury
Internal Revenue Service

Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Trusts

(Keep for Your Records—Do *Not* Send to Internal Revenue Service)

(For Trust Form 990-T Filers Only. Corporate Form 990-T Filers Use Form 1120-W.)

OMB No. 1545-0976

1989

1	Unrelated business taxable income expected in the tax year	1	
2	Income tax on the amount on line 1 (from Tax Rate Schedule at the end of these instructions)	2	
3	Estimated tax credits	3	
4	Balance (subtract line 3 from line 2)	4	
5	Recapture taxes **a** Investment credit and/or **b** Low-income housing credit	5	
6	Alternative minimum tax (see instructions)	6	
7	Total (add lines 4, 5, and 6)	7	
8	Credit for Federal tax on fuels	8	
9	Total tax (subtract line 8 from line 7). If less than $500, you do not have to make estimated tax payments	9	
10a	Enter 90% of line 9	10a	
b	Enter 100% of the tax shown on your 1988 return (see instructions)	10b	
c	Enter the lesser of line 10a or line 10b	10c	
11	If the first payment you are required to make is due by the 15th day of the 4th month of your tax year, enter 25% of line 10c. (See the instructions for the percentage of line 10c to enter. This is your required installment unless (1) the trust uses the annualized income or adjusted seasonal installment method for any installment (see section 6655(e) to figure the amount of each installment), or (2) the trust is a large organization (as defined in the instructions) not using either method in (1) above (see section 6655(d)(2))	11	

Amended Estimated Tax.—If after the tax-exempt trust figures and deposits the estimated tax it finds that its estimated tax is much more or less than originally estimated because its economic condition has changed, it should refigure its estimated tax before the next installment. Trusts may use the following lines to figure the remaining installment payments. (See instructions for exceptions.)

12	Enter 90% of the refigured total tax you expect to owe this year—but do not enter more than line 10b unless you are a "large organization" (see the line 11 instructions for definition)	12	
13	Multiply line 12 by the last percentage shown in the column for the due date of the next installment in the table on page 2	13	
14	Amount of 1988 overpayment you elected to apply to your 1989 estimated tax	14	
15	Earlier estimated tax payments made for 1989 (include only net amounts deposited—do not include the amount on line 14)	15	
16	Total amount already paid (add lines 14 and 15)	16	
17	Amount of next installment (subtract line 16 from line 13—if less than zero, enter zero) **Note:** *Required installments (if any) due after this installment are figured by:* ***(a)*** *multiplying line 12 by 25%, and* ***(b)*** *subtracting any unapplied overpayments of previous installments from this amount.*	17	

Paperwork Reduction Act Notice

You do not have to use this form. It is provided only to help you determine your tax liability.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	4 hrs., 4 min.
Learning about the law or the form	2 hrs., 41 min.
Preparing the form	2 hrs., 52 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget**, Paperwork Reduction Project, Washington, DC 20503.

General Instructions

(Section references are to the Internal Revenue Code.)

Note: *Tax-exempt trusts should use this Form 990-W worksheet to figure their estimated tax. Tax-exempt corporations should not use Form 990-W, but should use* ***Form 1120-W****, Corporation Estimated Tax, instead.*

A. Who Must Make Estimated Tax Payments.—A tax-exempt trust must make estimated tax payments if the total tax it expects to owe for its tax year (line 9) is $500 or more.

B. Underpayment of Estimated Tax.—If you do not pay the estimated tax when it is due, you may be charged a penalty for the period of underpayment (section 6655) at a rate determined under section 6621.

Specific Instructions

Note: *Refer to* ***Form 990-T****, Exempt Organization Business Income Tax Return, and its instructions for an explanation and special rules regarding the computation of*

unrelated business income, deductions, and credits for purposes of completing this worksheet.

Line 3.—Do not claim the jobs credit when computing estimated tax credits.

Line 6.—Be sure to consider your alternative minimum tax under section 55 when figuring your estimated tax for 1989. The alternative minimum tax is generally the excess of the tentative minimum tax over the regular tax. See sections 55 through 59 for more information.

Line 10b.—If your 1988 return did not show a tax liability, or if your 1988 tax year was for less than 12 months, enter the line 10a amount on line 10c.

Line 11.—Due Dates and Amount of Deposits.—Use the table below to determine the due date of deposits and the amount of each installment. If any date falls on a Saturday, Sunday, or legal holiday, substitute the next regular workday.

A tax-exempt trust may elect to apply its 1988 overpayment against its 1989 tax. Generally, the overpayment will be applied against the earliest installment unless the trust instructs the IRS differently. See Rev. Rul. 84-58, 1984-1 C.B. 254.

Large Organization.—A large organization is one that had (or is successor to an organization that had) unrelated business taxable income of $1 million or more for any of the 3 preceding tax years.

Depositary Method of Tax Payment.—Deposit unrelated business income tax payments and estimated tax payments with a Federal Tax Deposit (FTD) Coupon. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve bank or branch for the area where the trust is located. Do not submit deposits directly to an IRS office. Otherwise, the trust may be subject to a 10% failure-to-deposit penalty. Records of deposits will be sent to the IRS for crediting to the trust's account. See the instructions contained in the FTD Coupon Book **(Form 8109)** and **Publication 583,** Information for Business Taxpayers, for more information.

Note: *A preprinted Federal Tax Deposit Coupon Book is issued by IRS when a new entity applies for an employer identification number (EIN). If the tax-exempt trust has already received its EIN, but has not yet received its initial supply of preprinted coupons, use a blank* ***Form 8109-B****, Federal Tax Deposit Coupon. This form is available at local IRS offices.*

Amended Estimated Tax—Exceptions.—Do not use lines 12–17 if the annualized income or adjusted seasonal installment method is used to figure any installment. If you miss a payment of estimated tax or if you made a mistake that caused an underpayment in earlier installments, you should make an immediate "catch-up" payment.

If your estimated tax on line 9 is $500 or more, you are required to make deposits of estimated tax. If this requirement is first met—	**The number of installments to deposit is—**	**And you should deposit the following percentages of the estimated tax by the 15th day of the—**			
		4th month	6th month	9th month	12th month
Before the 1st day of the 4th month of the tax year	4	25	25	25	25
After the last day of the 3rd month but before the 1st day of the 6th month of the tax year	3		50	25	25
After the last day of the 5th month but before the 1st day of the 9th month of the tax year	2			75	25
After the last day of the 8th month but before the 1st day of the 12th month of the tax year	1				100

Line 2—1989 Tax Rate Schedule

Caution: *Do not use this Tax Rate Schedule to figure your 1988 taxes. Use it only to figure your 1989 estimated taxes.*

If line 1 is:			
Over—	**But not over—**	**The tax is:**	**Of the amount over—**
$0	$5,200	15%	$0
$5,200	$13,500	$780 + 28%	$5,200
$13,500	$27,020	$3,104 + 33%	$13,500
$27,020	----------	28%	$0

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1988** (L)

For the year Jan.–Dec. 31, 1988, or other tax year beginning , 1988, ending , 19 | OMB No. 1545-0074

Label

Use IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial (if joint return, also give spouse's name and initial) Last name

Your social security number

Present home address (number, street, and apt. no. or rural route). (If a P.O. Box, see page 6 of Instructions.)

Spouse's social security number

City, town or post office, state, and ZIP code

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Presidential Election Campaign Do you want $1 to go to this fund? Yes No **Note:** *Checking "Yes" will not change your tax or reduce your refund.*

If joint return, does your spouse want $1 to go to this fund? Yes No

Filing Status

Check only one box.

1 ☐ Single

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here.

4 ☐ Head of household (with qualifying person). (See page 7 of Instructions.) If the qualifying person is your child but not your dependent, enter child's name here.

5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 7 of Instructions.)

Exemptions

(See Instructions on page 8.)

6a ☐ Yourself If someone (such as your parent) can claim you as a dependent, do not check box 6a. But be sure to check the box on line 33b on page 2.

b ☐ Spouse

No. of boxes checked on 6a and 6b

c **Dependents:**

(1) Name (first, initial, and last name)	(2) Check if under age 5	(3) If age 5 or older, dependent's social security number	(4) Relationship	(5) No. of months lived in your home in 1988

If more than 6 dependents, see Instructions on page 8.

No. of your children on 6c who:

- lived with you
- didn't live with you due to divorce or separation

No. of other dependents listed on 6c

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here ▶ ☐

e Total number of exemptions claimed

Add numbers entered on lines above ▶

Income

Please attach Copy B of your Forms W-2, W-2G, and W-2P here.

If you do not have a W-2, see page 6 of Instructions.

7	Wages, salaries, tips, etc. *(attach Form(s) W-2)*		7
8a	**Taxable** interest income *(also attach Schedule B if over $400)*		8a
b	**Tax-exempt** interest income (see page 11). DON'T include on line 8a. 8b		
9	Dividend income *(also attach Schedule B if over $400)*		9
10	Taxable refunds of state and local income taxes, if any, from worksheet on page 11 of Instructions		10
11	Alimony received		11
12	Business income or (loss) *(attach Schedule C)*		12
13	Capital gain or (loss) *(attach Schedule D)*		13
14	Capital gain distributions not reported on line 13 (see page 11)		14
15	Other gains or (losses) *(attach Form 4797)*		15
16a	Total IRA distributions 16a	16b Taxable amount (see page 11)	16b
17a	Total pensions and annuities 17a	17b Taxable amount (see page 12)	17b
18	Rents, royalties, partnerships, estates, trusts, etc. *(attach Schedule E)*		18
19	Farm income or (loss) *(attach Schedule F)*		19
20	Unemployment compensation (insurance) (see page 13)		20
21a	Social security benefits (see page 13) 21a		
b	Taxable amount, if any, from the worksheet on page 13		21b
22	Other income (list type and amount—see page 13)		22
23	Add the amounts shown in the far right column for lines 7 through 22. This is your **total income** ▶		23

Please attach check or money order here.

Adjustments to Income

(See Instructions on page 13.)

24	Reimbursed employee business expenses from Form 2106, line 13	24	
25a	Your IRA deduction, from applicable worksheet on page 14 or 15	25a	
b	Spouse's IRA deduction, from applicable worksheet on page 14 or 15	25b	
26	Self-employed health insurance deduction, from worksheet on page 15	26	
27	Keogh retirement plan and self-employed SEP deduction	27	
28	Penalty on early withdrawal of savings	28	
29	Alimony paid (recipient's last name and social security no.)	29	
30	Add lines 24 through 29. These are your **total adjustments** ▶		30

Adjusted Gross Income

31	Subtract line 30 from line 23. This is your **adjusted gross income.** *If this line is less than $18,576 and a child lived with you, see "Earned Income Credit" (line 56) on page 19 of the Instructions. If you want IRS to figure your tax, see page 16 of the Instructions* ▶	31

Tax Computation

32	Amount from line 31 (adjusted gross income)		32
33a	Check if: ☐ **You** were 65 or older ☐ Blind; ☐ **Spouse** was 65 or older ☐ Blind. Add the number of boxes checked and enter the total here ▶	33a	
b	If someone (such as your parent) can claim you as a dependent, check here ▶	33b ☐	
c	If you are married filing a separate return and your spouse itemizes deductions, or you are a dual-status alien, see page 16 and check here ▶	33c ☐	
34	Enter the **larger** of: • Your **standard deduction** (from page 17 of the Instructions). **OR** • Your **itemized deductions** (from Schedule A, line 26). If you itemize, attach Schedule A and check here ▶ ☐		34
35	Subtract line 34 from line 32. Enter the result here		35
36	Multiply $1,950 by the total number of exemptions claimed on line 6e		36
37	**Taxable income.** Subtract line 36 from line 35. Enter the result (if less than zero, enter zero)		37
	Caution: If under age 14 and you have more than $1,000 of investment income, check here ▶ ☐ and see page 17 to see if you have to use Form 8615 to figure your tax.		
38	Enter tax. Check if from: ☐ Tax Table, ☐ Tax Rate Schedules, or ☐ Form 8615		38
39	Additional taxes (see page 17). Check if from: ☐ Form 4970 ☐ Form 4972		39
40	Add lines 38 and 39. Enter the total ▶		40

Credits (See Instructions on page 18.)

41	Credit for child and dependent care expenses *(attach Form 2441)*	41	
42	Credit for the elderly or the disabled *(attach Schedule R)*	42	
43	Foreign tax credit *(attach Form 1116)*	43	
44	General business credit. Check if from: ☐ Form 3800 or ☐ Form (specify) _____	44	
45	Credit for prior year minimum tax *(attach Form 8801)*	45	
46	Add lines 41 through 45. Enter the total		46
47	Subtract line 46 from line 40. Enter the result (if less than zero, enter zero) ▶		47

Other Taxes (Including Advance EIC Payments)

48	Self-employment tax *(attach Schedule SE)*	48
49	Alternative minimum tax *(attach Form 6251)*	49
50	Recapture taxes (see page 18). Check if from: ☐ Form 4255 ☐ Form 8611	50
51	Social security tax on tip income not reported to employer *(attach Form 4137)*	51
52	Tax on an IRA or a qualified retirement plan *(attach Form 5329)*	52
53	Add lines 47 through 52. This is your **total tax** ▶	53

Payments Attach Forms W-2, W-2G, and W-2P to front.

54	Federal income tax withheld (If any is from Form(s) 1099, check ▶ ☐)	54	
55	1988 estimated tax payments and amount applied from 1987 return	55	
56	Earned income credit (see page 19)	56	
57	Amount paid with Form 4868 (extension request)	57	
58	Excess social security tax and RRTA tax withheld (see page 20)	58	
59	Credit for Federal tax on fuels *(attach Form 4136)*	59	
60	Regulated investment company credit *(attach Form 2439)*	60	
61	Add lines 54 through 60. These are your **total payments** ▶		61

Refund or Amount You Owe

62	If line 61 is larger than line 53, enter amount **OVERPAID** ▶		62
63	Amount of line 62 to be **REFUNDED TO YOU** ▶		63
64	Amount of line 62 to be applied to your 1989 estimated tax ▶	64	
65	If line 53 is larger than line 61, enter **AMOUNT YOU OWE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1988 Form 1040" on it.		65
	Check ▶ ☐ if Form 2210 (2210F) is attached. See page 21. **Penalty:** $		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature	Date	Your occupation
▶ Spouse's signature (if joint return, BOTH must sign)	Date	Spouse's occupation

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's social security no.
Firm's name (or yours if self-employed) and address ▶		E.I. No.	
		ZIP code	

SCHEDULES A&B
(Form 1040)

Department of the Treasury
Internal Revenue Service (L)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074

1988

Attachment Sequence No. 07

Name(s) as shown on Form 1040

Your social security number

Medical and Dental Expenses

(Do not include expenses reimbursed or paid by others.)

(See Instructions on page 23.)

1a Prescription medicines and drugs, insulin, doctors, dentists, nurses, hospitals, medical insurance premiums you paid, etc. . . 1a

b Other (list—include hearing aids, dentures, eyeglasses, transportation and lodging, etc.) ▶ 1b

2 Add lines 1a and 1b, and enter the total here 2

3 Multiply the amount on Form 1040, line 32, by 7.5% (.075) . . . 3

4 Subtract line 3 from line 2. If zero or less, enter -0-. **Total** medical and dental . . ▶ 4

Taxes You Paid

(See Instructions on page 23.)

5 State and local income taxes 5

6 Real estate taxes 6

7 Other taxes (list—include personal property taxes) ▶ 7

8 Add the amounts on lines 5 through 7. Enter the total here. **Total** taxes . . ▶ 8

Interest You Paid

(See Instructions on page 24.)

Note: *New rules apply to the home mortgage interest deduction. See Instructions.*

9a Deductible home mortgage interest you paid to financial institutions (report deductible points on line 10) 9a

b Deductible home mortgage interest you paid to individuals (show that person's name and address) ▶ 9b

10 Deductible points. (See Instructions for special rules.) 10

11 Deductible investment interest (see page 24) 11

12a Personal interest you paid (see page 24) . 12a

b Multiply the amount on line 12a by 40% (.40). Enter the result . 12b

13 Add the amounts on lines 9a through 11, and 12b. Enter the total here. **Total** interest ▶ 13

Gifts to Charity

(See Instructions on page 25.)

14 Contributions by cash or check. (If you gave $3,000 or more to any one organization, show to whom you gave and how much you gave.) ▶ 14

15 Other than cash or check. (You must attach Form 8283 if over $500.) 15

16 Carryover from prior year 16

17 Add the amounts on lines 14 through 16. Enter the total here. **Total** contributions . ▶ 17

Casualty and Theft Losses

18 Casualty or theft loss(es) (attach Form 4684). (See page 25 of the Instructions.) . ▶ 18

Moving Expenses

19 Moving expenses (attach Form 3903 or 3903F). (See page 26 of the Instructions.) ▶ 19

Job Expenses and Most Other Miscellaneous Deductions

(See page 26 for expenses to deduct here.)

20 Unreimbursed employee expenses—job travel, union dues, job education, etc. (You MUST attach Form 2106 in some cases. See Instructions.) ▶ 20

21 Other expenses (investment, tax preparation, safe deposit box, etc.). List type and amount ▶ 21

22 Add the amounts on lines 20 and 21. Enter the total 22

23 Multiply the amount on Form 1040, line 32, by 2% (.02). Enter the result here 23

24 Subtract line 23 from line 22. Enter the result (if zero or less, enter zero) . . . ▶ 24

Other Miscellaneous Deductions

25 Other (from list on page 26 of Instructions). Enter type and amount ▶ . . . . . ▶ 25

Total Itemized Deductions

26 Add the amounts on lines 4, 8, 13, 17, 18, 19, 24, and 25. Enter the total here. Then enter on Form 1040, line 34, the LARGER of this total or your standard deduction from page 17 of the Instructions . . . . . ▶ 26

Name(s) as shown on Form 1040. (Do not enter name and social security number if shown on other side.) | Your social security number

Schedule B—Interest and Dividend Income

Attachment Sequence No. 08

Part I Interest Income

(See instructions on pages 10 and 26.)

If you received more than $400 in taxable interest income, you must complete Part I and Part III and list ALL interest received. You must report all interest on Form 1040, even if you are not required to complete Part I and Part III. If you received, as a nominee, interest that actually belongs to another person, or you received or paid accrued interest on securities transferred between interest payment dates, see page 27.

Note: If you received a Form 1099–INT or Form 1099–OID from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

Interest Income		Amount
1 Interest income from seller-financed mortgages. (See Instructions and list name of payer.) ▶	1	
2 Other interest income (list name of payer) ▶	2	
3 Add the amounts on lines 1 and 2. Enter the total here and on Form 1040, line 8a ▶	3	

Part II Dividend Income

(See instructions on pages 11 and 27.)

If you received more than $400 in gross dividends and/or other distributions on stock, complete Part II and Part III. You must report all taxable dividends on Form 1040, even if you are not required to complete Part II and Part III. If you received, as a nominee, dividends that actually belong to another person, see page 27.

Note: If you received a Form 1099-DIV from a brokerage firm, list the firm's name as the payer and enter the total dividends shown on that form.

Dividend Income		Amount
4 Dividend income (list name of payer—include on this line capital gain distributions, nontaxable distributions, etc.) ▶	4	
5 Add the amounts on line 4. Enter the total here	5	
6 Capital gain distributions. Enter here and on line 13, Schedule D *	6	
7 Nontaxable distributions. (See Schedule D Instructions for adjustment to basis.)	7	
8 Add the amounts on lines 6 and 7. Enter the total here	8	
9 Subtract line 8 from line 5. Enter the result here and on Form 1040, line 9 ▶	9	

*If you received capital gain distributions but do not need Schedule D to report any other gains or losses, enter your capital gain distributions on Form 1040, line 14.

Part III Foreign Accounts and Foreign Trusts

(See instructions on page 27.)

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III.

	Yes	No
10 At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See page 27 of the instructions for exceptions and filing requirements for Form TD F 90-22.1.) If "Yes," enter the name of the foreign country ▶		
11 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Form 3520, 3520-A, or 926		

SCHEDULE C (Form 1040)

Department of the Treasury Internal Revenue Service (L)

Profit or Loss From Business

(Sole Proprietorship)

Partnerships, Joint Ventures, Etc., Must File Form 1065.

▶ **Attach to Form 1040, Form 1041, or Form 1041S.** ▶ **See Instructions for Schedule C (Form 1040).**

OMB No. 1545-0074

1988

Attachment Sequence No. **09**

Name of proprietor | **Social security number (SSN)**

A Principal business or profession, including product or service (see Instructions) | **B** Principal business code (from Part IV) ▶

C Business name and address ▶ | **D** **Employer ID number (Not SSN)**

E Method(s) used to value closing inventory:
(1) ☐ Cost (2) ☐ Lower of cost or market (3) ☐ Other (attach explanation)

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

		Yes	No
G	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? (If "Yes," attach explanation.)		
H	Are you deducting expenses for business use of your home? (If "Yes," see Instructions for limitations.)		
I	Did you "materially participate" in the operation of this business during 1988? (If "No," see Instructions for limitations on losses.)		

J If this schedule includes a loss, credit, deduction, income, or other tax benefit relating to a tax shelter required to be registered, check here ▶ ☐
If you check this box, you MUST attach **Form 8271**.

Part I Income

1a	Gross receipts or sales	1a	
b	Less: Returns and allowances	1b	
c	Subtract line 1b from line 1a. Enter the result here	1c	
2	Cost of goods sold and/or operations (from Part III, line 8)	2	
3	Subtract line 2 from line 1c and enter the **gross profit** here	3	
4	Other income (including windfall profit tax credit or refund received in 1988)	4	
5	Add lines 3 and 4. This is the **gross income** ▶	5	

Part II Deductions

6	Advertising	6	23	Repairs	23
7	Bad debts from sales or services (see Instructions)	7	24	Supplies (not included in Part III)	24
8	Bank service charges	8	25	Taxes	25
9	Car and truck expenses	9	26	Travel, meals, and entertainment:	
10	Commissions	10	a	Travel	26a
11	Depletion	11	b	Meals and entertainment	
12	Depreciation and section 179 deduction from Form 4562 (not included in Part III)	12	c	Enter 20% of line 26b subject to limitations (see Instructions)	
13	Dues and publications	13	d	Subtract line 26c from 26b	26d
14	Employee benefit programs	14	27	Utilities and telephone	27
15	Freight (not included in Part III)	15	28a	Wages	
16	Insurance	16	b	Jobs credit	
17	Interest:		c	Subtract line 28b from 28a	28c
a	Mortgage (paid to banks, etc.)	17a	29	Other expenses (list type and amount):	
b	Other	17b			29
18	Laundry and cleaning	18			
19	Legal and professional services	19			
20	Office expense	20			
21	Pension and profit-sharing plans	21			
22	Rent on business property	22			

30	Add amounts in columns for lines 6 through 29. These are the **total deductions** ▶	30	
31	**Net profit or (loss).** Subtract line 30 from line 5. If a profit, enter here and on Form 1040, line 12, and on Schedule SE, line 2. If a loss, you MUST go on to line 32. (Fiduciaries, see instructions.)	31	

32 If you have a loss, you MUST check the box that describes your investment in this activity (see Instructions)
32a ☐ All investment is at risk.
32b ☐ Some investment is not at risk.
If you checked 32a, enter the loss on Form 1040, line 12, and Schedule SE, line 2. If you checked 32b, you MUST attach **Form 6198.**

Part III Cost of Goods Sold and/or Operations (See Schedule C Instructions for Part III)

1	Inventory at beginning of year. (If different from last year's closing inventory, attach explanation.)	1	
2	Purchases less cost of items withdrawn for personal use	2	
3	Cost of labor. (Do not include salary paid to yourself.)	3	
4	Materials and supplies	4	
5	Other costs	5	
6	Add lines 1 through 5	6	
7	Less: Inventory at end of year	7	
8	**Cost of goods sold and/or operations.** Subtract line 7 from line 6. Enter the result here and in Part I, line 2	8	

Part IV Codes for Principal Business or Professional Activity

Locate the major business category that best describes your activity (for example, Retail Trade, Services, etc.). Within the major category, select the activity code that identifies (or most closely identifies) the business or profession that is the principal source of your sales or receipts. **Enter this 4-digit code on line B on page 1 of Schedule C.** (**Note:** *If your principal source of income is from farming activities, you should file* ***Schedule F*** *(Form 1040), Farm Income and Expenses.*)

Construction

Code

0018 Operative builders (building for own account)

General contractors

0034 Residential building
0059 Nonresidential building
0075 Highway and street construction
3889 Other heavy construction (pipe laying, bridge construction, etc.)

Building trade contractors, including repairs

0232 Plumbing, heating, air conditioning
0257 Painting and paper hanging
0273 Electrical work
0299 Masonry, dry wall, stone, tile
0414 Carpentering and flooring
0430 Roofing, siding, and sheet metal
0455 Concrete work
0471 Water well drilling
0885 Other building trade contractors (excavation, glazing, etc.)

Manufacturing, Including Printing and Publishing

0612 Bakeries selling at retail
0638 Other food products and beverages
0653 Textile mill products
0679 Apparel and other textile products
0695 Leather, footware, handbags, etc.
0810 Furniture and fixtures
0836 Lumber and other wood products
0851 Printing and publishing
0877 Paper and allied products
0893 Chemicals and allied products
1016 Rubber and plastics products
1032 Stone, clay, and glass products
1057 Primary metal industries
1073 Fabricated metal products
1099 Machinery and machine shops
1115 Electric and electronic equipment
1313 Transportation equipment
1339 Instruments and related products
1883 Other manufacturing industries

Mining and Mineral Extraction

1511 Metal mining
1537 Coal mining
1552 Oil and gas
1719 Quarrying and nonmetallic mining

Agricultural Services, Forestry, and Fishing

1917 Soil preparation services
1933 Crop services
1958 Veterinary services, including pets
1974 Livestock breeding
1990 Other animal services
2113 Farm labor and management services
2212 Horticulture and landscaping
2238 Forestry, except logging
0836 Logging
2279 Fishing, hunting, and trapping

Wholesale Trade—Selling Goods to Other Businesses, Government, or Institutions, Etc.

Durable goods, including machinery, equipment, wood, metals, etc.

2618 Selling for your own account
2634 Agent or broker for other firms—more than 50% of gross sales on commission

Nondurable goods, including food, fiber, chemicals, etc.

2659 Selling for your own account
2675 Agent or broker for other firms—more than 50% of gross sales on commission

Retail Trade—Selling Goods to Individuals and Households

3012 Selling door-to-door, by telephone or party plan, or from mobile unit
3038 Catalog or mail order
3053 Vending machine selling

Selling From Store, Showroom, or Other Fixed Location

Food, beverages, and drugs

3079 Eating places (meals or snacks)
3095 Drinking places (alcoholic beverages)
3210 Grocery stores (general line)
0612 Bakeries selling at retail
3236 Other food stores (meat, produce, candy, etc.)
3251 Liquor stores
3277 Drug stores

Automotive and service stations

3319 New car dealers (franchised)
3335 Used car dealers
3517 Other automotive dealers (motorcycles, recreational vehicles, etc.)
3533 Tires, accessories, and parts
3558 Gasoline service stations

General merchandise, apparel, and furniture

3715 Variety stores
3731 Other general merchandise stores
3756 Shoe stores
3772 Men's and boys' clothing stores
3913 Women's ready-to-wear stores
3921 Women's accessory and specialty stores and furriers
3939 Family clothing stores
3954 Other apparel and accessory stores
3970 Furniture stores
3996 TV, audio, and electronics
3988 Computer and software stores
4119 Household appliance stores
4317 Other home furnishing stores (china, floor coverings, drapes, etc.)
4333 Music and record stores

Building, hardware, and garden supply

4416 Building materials dealers
4432 Paint, glass, and wallpaper stores
4457 Hardware stores
4473 Nurseries and garden supply stores

Other retail stores

4614 Used merchandise and antique stores (except used motor vehicle parts)
4630 Gift, novelty, and souvenir shops
4655 Florists
4671 Jewelry stores
4697 Sporting goods and bicycle shops
4812 Boat dealers
4838 Hobby, toy, and game shops
4853 Camera and photo supply stores
4879 Optical goods stores
4895 Luggage and leather goods stores
5017 Book stores, excluding newsstands
5033 Stationery stores
5058 Fabric and needlework stores
5074 Mobile home dealers
5090 Fuel dealers (except gasoline)
5884 Other retail stores

Real Estate, Insurance, Finance, and Related Services

5512 Real estate agents and managers
5538 Operators and lessors of buildings (except developers)
5553 Operators and lessors of other real property (except developers)
5710 Subdividers and developers, except cemeteries
5736 Insurance agents and services
5751 Security and commodity brokers, dealers, and investment services
5777 Other real estate, insurance, and financial activities

Transportation, Communications, Public Utilities, and Related Services

6114 Taxicabs
6312 Bus and limousine transportation
6338 Trucking (except trash collection)
6510 Trash collection without own dump
6536 Public warehousing
6551 Water transportation
6619 Air transportation
6635 Travel agents and tour operators
6650 Other transportation and related services
6676 Communication services
6692 Utilities, including dumps, snowplowing, road cleaning, etc.

Services (Providing Personal, Professional, and Business Services)

Hotels and other lodging places

7096 Hotels, motels, and tourist homes
7211 Rooming and boarding houses
7237 Camps and camping parks

Laundry and cleaning services

7419 Coin-operated laundries and dry cleaning
7435 Other laundry, dry cleaning, and garment services
7450 Carpet and upholstery cleaning
7476 Janitorial and related services (building, house, and window cleaning)

Business and/or personal services

7617 Legal services (or lawyer)
7633 Income tax preparation
7658 Accounting and bookkeeping
7674 Engineering, surveying, and architectural
7690 Management, consulting, and public relations
7716 Advertising, except direct mail
7732 Employment agencies and personnel supply
7757 Computer and data processing, including repair and leasing
7773 Equipment rental and leasing (except computer or automotive)
7914 Investigative and protective services
7880 Other business services

Personal services

8110 Beauty shops (or beautician)
8318 Barber shop (or barber)
8334 Photographic portrait studios
8516 Shoe repair and shine services
8532 Funeral services and crematories
8714 Child day care
8730 Teaching or tutoring
8755 Counseling (except health practitioners)
8771 Ministers and chaplains
6882 Other personal services

Automotive services

8813 Automotive rental or leasing, without driver
8839 Parking, except valet
8854 General automotive repairs
8870 Specialized automotive repairs (brake, body repairs, paint, etc.)
8896 Other automotive services (wash, towing, etc.)

Miscellaneous repair, except computers

9019 TV and audio equipment repair
9035 Other electrical equipment repair
9050 Reupholstery and furniture repair
2881 Other equipment repair

Medical and health services

9217 Offices and clinics of medical doctors (MDs)
9233 Offices and clinics of dentists
9258 Osteopathic physicians and surgeons
9274 Chiropractors
9290 Optometrists
9415 Registered and practical nurses
9431 Other licensed health practitioners
9456 Dental laboratories
9472 Nursing and personal care facilities
9886 Other health services

Amusement and recreational services

8557 Physical fitness facilities
9613 Videotape rental stores
9639 Motion picture theaters
9654 Other motion picture and TV film and tape activities
9670 Bowling alleys
9696 Professional sports and racing, including promoters and managers
9811 Theatrical performers, musicians, agents, producers, and related services
9837 Other amusement and recreational services

9888 Unable to classify

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service (L)

Capital Gains and Losses
(And Reconciliation of Forms 1099-B)

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).
For Paperwork Reduction Act Notice, see Form 1040 Instructions.

OMB No. 1545-0074

1988

Attachment Sequence No. 12

Name(s) as shown on Form 1040 | Your social security number

1 Report here the total sales of stocks, bonds, etc., reported for 1988 to you on Form(s) 1099-B or on equivalent substitute statement(s). If this amount differs from the total of lines 2b and 9b, column (d), attach a statement explaining the difference. See the Instructions for line 1 for examples 1

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less (6 months or less if acquired before 1/1/88)

(a) Description of property (Example, 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see Instructions)	(e) Cost or other basis (see Instructions)	(f) LOSS If (e) is more than (d), subtract (d) from (e)	(g) GAIN If (d) is more than (e), subtract (e) from (d)
2a Stocks, Bonds, and Other Securities (Include all Form 1099-B transactions. See Instructions.)						
2b Total (add column (d)) . . . . . 2b▶						
2c Other Transactions (Include Real Estate Transactions From Forms 1099-S)						

3	Short-term gain from sale or exchange of your home from Form 2119, line 8a or 14	3	
4	Short-term gain from installment sales from Form 6252, line 22 or 30	4	
5	Net short-term gain or (loss) from partnerships, S corporations, and fiduciaries	5	
6	Short-term capital loss carryover	6	
7	Add all of the transactions on lines 2a and 2c and lines 3 through 6 in columns (f) and (g)	7	( )
8	Net short-term gain or (loss), combine columns (f) and (g) of line 7	8	

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year (more than 6 months if acquired before 1/1/88)

(a) Description of property (Example, 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see Instructions)	(e) Cost or other basis (see Instructions)	(f) LOSS If (e) is more than (d), subtract (d) from (e)	(g) GAIN If (d) is more than (e), subtract (e) from (d)
9a Stocks, Bonds, and Other Securities (Include all Form 1099-B transactions. See Instructions.)						
9b Total (add column (d)) . . . . . 9b▶						
9c Other Transactions (Include Real Estate Transactions From Forms 1099-S)						

10	Long-term gain from sale or exchange of your home from Form 2119, line 8a, 10, or 14	10	
11	Long-term gain from installment sales from Form 6252, line 22 or 30	11	
12	Net long-term gain or (loss) from partnerships, S corporations, and fiduciaries	12	
13	Capital gain distributions	13	
14	Enter gain from Form 4797, line 7 or 9	14	
15	Long-term capital loss carryover	15	
16	Add all of the transactions on lines 9a and 9c and lines 10 through 15 in columns (f) and (g)	16	( )
17	Net long-term gain or (loss), combine columns (f) and (g) of line 16	17	

Name(s) as shown on Form 1040. (Do not enter name and social security number if shown on other side.) | Your social security number

Part III Summary of Parts I and II

18	Combine lines 8 and 17, and enter the net gain or (loss) here. If result is a gain, also enter the gain on Form 1040, line 13	18
19	If line 18 is a (loss), enter here and as a (loss) on Form 1040, line 13, the **smaller** of:	
	a The (loss) on line 18; **or**	
	b ($3,000) or, if married filing a separate return, ($1,500)	19 ( )
	Note: When figuring which amount is **smaller**, treat them as if they were positive numbers.	

Part IV Computation of Capital Loss Carryovers From 1988 to 1989
(Complete this part if the loss on line 18 is more than the loss on line 19.)

20	Enter the loss shown on line 8; if none, enter zero and skip lines 21 through 24	20
21	Enter gain shown on line 17. If that line is blank or shows a loss, enter zero	21
22	Subtract line 21 from line 20	22
23	Enter the **smaller** of line 19 or 22	23
24	Subtract line 23 from line 22. This is your **short-term capital loss carryover from 1988 to 1989**	24
25	Enter loss from line 17; if none, enter zero and skip lines 26 through 29	25
26	Enter gain shown on line 8. If that line is blank or shows a loss, enter zero	26
27	Subtract line 26 from line 25	27
28	Subtract line 23 from line 19. (**Note:** *If you skipped lines 21 through 24, enter the amount from line 19.*)	28
29	Subtract line 28 from line 27. This is your **long-term capital loss carryover from 1988 to 1989**	29

Part V Complete This Part Only If You Elect Out of the Installment Method and Report a Note or Other Obligation at Less Than Full Face Value

30	Check here if you elect out of the installment method	▶ ☐
31	Enter the face amount of the note or other obligation	▶
32	Enter the percentage of valuation of the note or other obligation	▶

Part VI Reconciliation of Forms 1099-B for Bartering Transactions
(Complete this part if you received one or more Form(s) 1099-B or an equivalent substitute statement(s) reporting bartering income.)

		Amount of bartering income from Form 1099-B or equivalent statement reported on form or schedule
33	Form 1040, line 22	33
34	Schedule C (Form 1040)	34
35	Schedule D (Form 1040)	35
36	Schedule E (Form 1040)	36
37	Schedule F (Form 1040)	37
38	Other (identify) (if not taxable, indicate reason—attach additional sheets if necessary) ▶	38
39	Total (add lines 33 through 38)	39
	Note: *The amount on line 39 should be the same as the total bartering income on all Forms 1099-B and equivalent statements received.*	

SCHEDULE E (Form 1040)

Department of the Treasury Internal Revenue Service (L)

Name(s) as shown on return

Supplemental Income Schedule

(From rents, royalties, partnerships, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, Form 1041, or Form 1041S.

▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

1988

Attachment Sequence No. 13

Your social security number

Part I **Rental and Royalty Income or Loss** **Caution:** *Your rental loss may be limited. See Instructions.*

1 In the space provided below, show the kind and location of each rental property.

2 For each rental property listed, did you or a member of your family use it for personal purposes for more than the greater of 14 days or 10% of the total days rented at fair rental value during the tax year?

	Yes	No
Property A ▶		
Property B ▶		
Property C ▶		

3 For each rental real estate property listed in item 1, did you actively participate in its operation during the tax year? (See Instructions.)

	Yes	No
Property A ▶		
Property B ▶		
Property C ▶		

Rental and Royalty Income		Properties A	Properties B	Properties C	Totals (Add columns A, B, and C)
4 Rents received					4
5 Royalties received					5
Rental and Royalty Expenses					
6 Advertising	6				
7 Auto and travel	7				
8 Cleaning and maintenance	8				
9 Commissions	9				
10 Insurance	10				
11 Legal and other professional fees	11				
12 Mortgage interest paid to banks, etc. (see Instructions)	12				12
13 Other interest	13				
14 Repairs	14				
15 Supplies	15				
16 Taxes (Do **not** include windfall profit tax here. See Part V, line 40.)	16				
17 Utilities	17				
18 Wages and salaries	18				
19 Other (list) ▶	19				
20 Total expenses other than depreciation and depletion. Add lines 6 through 19	20				20
21 Depreciation expense (see Instructions), or depletion (see Pub. 535)	21				21
22 Total. Add lines 20 and 21	22				
23 Income or (loss) from rental or royalty properties. Subtract line 22 from line 4 (rents) or 5 (royalties)	23				
24 Deductible rental loss. **Caution:** *Your rental loss on line 23 may be limited. See Instructions to determine if you must file* ***Form 8582****, Passive Activity Loss Limitations*	24				
25 **Profits.** Add rental and royalty profits from line 23. Enter the total profits here					25
26 **Losses.** Add royalty losses from line 23 and rental losses from line 24. Enter the total (losses) here					26 ( )
27 Combine amounts on lines 25 and 26. Enter the net profit or (loss) here					27
28 Net farm rental profit or loss from Form 4835. (Also complete **Part VI**, line 43.)					28
29 Total rental or royalty income or (loss). Combine amounts on lines 27 and 28. Enter the total here. If Parts II, III, IV, and V on page 2 do not apply to you, enter the amount from line 29 on Form 1040, line 18. Otherwise, include the amount from line 29 in line 42 on page 2 of Schedule E					29

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule E (Form 1040) 1988

Name(s) as shown on return. (Do not enter name and social security number if shown on other side.) | Your social security number

Part II Income or Loss From Partnerships and S Corporations

If you report a loss from an at-risk activity, you MUST check either column (e) or (f) to describe your investment in the activity. See Instructions. If you check column (f), you must attach **Form 6198.**

	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	Investment At Risk? (e) All is at risk	(f) Some is not at risk
A						
B						
C						
D						
E						

	Passive Income and Loss		Nonpassive Income and Loss		
	(g) Passive loss allowed from Form 8582	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 deduction (see instructions for limits)	(k) Nonpassive income from Schedule K-1
A					
B					
C					
D					
E					
30a Totals					
b Totals					

31	Add amounts in columns (h) and (k), line 30a. Enter total income here	31	
32	Add amounts in columns (g), (i), and (j), line 30b. Enter total here	32	( )
33	Total partnership and S corporation income or (loss). Combine amounts on lines 31 and 32. Enter the total here and include in line 42 below	33	

Part III Income or Loss From Estates and Trusts

	(a) Name	(b) Employer identification number
A		
B		
C		

	Passive Income and Loss		Nonpassive Income and Loss	
	(c) Passive deduction or loss allowed from Form 8582	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A				
B				
C				
34a Totals				
b Totals				

35	Add amounts in columns (d) and (f), line 34a. Enter total income here	35	
36	Add amounts in columns (c) and (e), line 34b. Enter total here	36	( )
37	Total estate and trust income or (loss). Combine amounts on lines 35 and 36. Enter the total here and include in line 42 below	37	

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b

38	Combine amounts in columns (d) and (e) only. Enter the total here and include in line 42 below	38	

Part V Windfall Profit Tax Summary

39	Windfall profit tax credit or refund received in 1988 (see Instructions)	39	
40	Windfall profit tax withheld in 1988 (see Instructions)	40	( )
41	Combine amounts on lines 39 and 40. Enter the total here and include in line 42 below	41	

Part VI Summary

42	TOTAL income or (loss). Combine amounts on lines 29, 33, 37, 38, and 41. Enter the total here and on Form 1040, line 18 ▶	42	
43	Farmers and fishermen: Enter your share of GROSS FARMING AND FISHING INCOME applicable to Parts I, II, and III (see Instructions)	43	

SCHEDULE F (Form 1040)

Department of the Treasury Internal Revenue Service (L)

Farm Income and Expenses

▶ Attach to Form 1040, Form 1041, Form 1041S, or Form 1065.

▶ See Instructions for Schedule F (Form 1040).

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1988

Attachment Sequence No. 14

Name of proprietor | Social security number (SSN)

A Principal Product. (Describe in one or two words your principal crop or activity for the current tax year.)

B Agricultural Activity Code (from Part IV) ▶

C Accounting Method: ☐ Cash ☐ Accrual

D Employer ID number (Not SSN)

E Did you make an election in a prior year to include Commodity Credit Corporation loan proceeds as income in that year? ☐ Yes ☐ No

F Did you "materially participate" in the operation of this business during 1988? (If "No," see Instructions for limitations on losses.) ☐ Yes ☐ No

G Do you elect, or did you previously elect, to currently deduct certain preproductive period expenses? (See Instructions.) ☐ Does not apply ☐ Yes ☐ No

Part I Farm Income—Cash Method—Complete Parts I and II (Accrual method taxpayers complete Parts II and III, and line 12 of Part I.)

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

1	Sales of livestock and other items you bought for resale	1		
2	Cost or other basis of livestock and other items you bought for resale	2		
3	Subtract line 2 from line 1		3	
4	Sales of livestock, produce, grains, and other products you raised		4	
5a	Total distributions received from cooperatives (from Form 1099-PATR)	5a		
b	**Less:** Nonincome items	5b		
6	Net distributions. Subtract line 5b from line 5a		6	
7a	Total agricultural program payments	7a	7b Taxable amount	7b
8a	Commodity Credit Corporation (CCC) loans reported under election (see Instructions)		8a	
b	CCC loans forfeited or repaid with certificates	8b	8c Taxable amount	8c
9a	Crop insurance proceeds received in 1988	9a	9b Taxable amount	9b
c	If election to defer to 1989 is attached, check here ▶ ☐		9d Amount deferred from 1987	9d
10	Custom hire (machine work) income		10	
11	Other income, including Federal and state gasoline or fuel tax credit or refund (see Instructions)		11	
12	**Gross income.** Add amounts in the right column for lines 3 through 11. If accrual method taxpayer, enter the amount from Part III, line 55 ▶		12	

Part II Farm Deductions—Cash and Accrual Method (Do not include personal or living expenses such as taxes, insurance, repairs, etc., on your home.)

13	Breeding fees	13	25a	Labor hired	
14	Chemicals	14	b	Jobs credit	
15	Conservation expenses (you must attach **Form 8645**)	15	c	Net labor hired (line 25a minus b)	25c
16	Custom hire (machine work)	16	26	Pension and profit-sharing plans	26
17	Depreciation and section 179 expense deduction (from Form 4562)	17	27	Rent of farm, pasture	27
18	Employee benefit programs other than on line 26	18	28	Repairs, maintenance	28
19	Feed purchased	19	29	Seeds, plants purchased	29
20	Fertilizers and lime	20	30	Storage, warehousing	30
21	Freight, trucking	21	31	Supplies purchased	31
22	Gasoline, fuel, oil	22	32	Taxes	32
23	Insurance	23	33	Utilities	33
24	Interest:		34	Veterinary fees, medicine	34
a	Mortgage (paid to banks, etc.)	24a	35	Other expenses (specify):	
b	Other	24b	a		35a
			b		35b
			c		35c
			d		35d
			e		35e
36	Add amounts on lines 13 through 35e				36
37	Preproductive period expenses that are capitalized (see Instructions)				37
38	Subtract line 37 from line 36. These are your **total deductions** ▶				38
39	**Net farm profit or (loss).** Subtract line 38 from line 12. If a profit, enter on Form 1040, line 19, and on Schedule SE, line 1. If a loss, you MUST go on to line 40. (Fiduciaries and partnerships, see Instructions.)				39

40 If you have a loss, you MUST check the box that describes your investment in this activity (see Instructions).

40a ☐ All investment is at risk.

40b ☐ Some investment is not at risk.

If you checked 40a, enter the loss on Form 1040, line 19, and Schedule SE, line 1. If you checked 40b, you MUST attach **Form 6198.**

Part III Farm Income—Accrual Method

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797 and do not include this livestock on line 50 below.

41	Sales of livestock, produce, grains, and other products during year			41
42a	Total distributions received from cooperatives (from Form 1099-PATR)	42a		
b	**Less:** Nonincome items	42b		
43	Net distributions. Subtract line 42b from line 42a			43
44a	Total agricultural program payments 44a		44b Taxable amount	44b
45a	Commodity Credit Corporation (CCC) loans reported under election (see Instructions)			45a
b	CCC loans forfeited or repaid with certificates 45b		45c Taxable amount	45c
46	Crop insurance proceeds			46
47	Custom hire (machine work) income			47
48	Other income, including Federal and state gasoline or fuel tax credit or refund (see Instructions)			48
49	**Total.** Add amounts in the right column for lines 41 through 48			49
50	Inventory of livestock, produce, grains, and other products at beginning of year	50		
51	Cost of livestock, produce, grains, and other products purchased during year	51		
52	Add lines 50 and 51	52		
53	Inventory of livestock, produce, grains, and other products at end of year	53		
54	Cost of livestock, produce, grains, and other products sold. Subtract line 53 from line 52*			54
55	**Gross income.** Subtract line 54 from line 49. Enter the result here and on Part I, line 12 ▶			55

*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 53 is larger than the amount on line 52, subtract line 52 from line 53. Enter the result on line 54. Add lines 49 and 54. Enter the total on line 55.

Part IV Principal Agricultural Activity Codes

Select one of the following codes and write the 3-digit number on line B on page 1 of this schedule. (**Note:** *If your principal source of income is from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis, you should file* ***Schedule C*** *(Form 1040), Profit or Loss From Business.*)

120 **Field crop,** including grains and nongrains such as cotton, peanuts, feed corn, wheat, tobacco, Irish potatoes, etc.

160 **Vegetables and melons,** garden-type vegetables and melons, such as sweet corn, tomatoes, squash, etc.

170 **Fruit and tree nuts,** including grapes, berries, olives, etc.

180 **Ornamental floriculture and nursery products**

185 **Food crops grown under cover,** including hydroponic crops

211 **Beefcattle feedlots**

212 **Beefcattle,** except feedlots

215 **Hogs, sheep, and goats**

240 **Dairy**

250 **Poultry and eggs,** including chickens, ducks, pigeons, quail, etc.

260 **General livestock,** not specializing in any one livestock category

270 **Animal specialty,** including fur-bearing animals, pets, horses, etc.

280 **Animal aquaculture,** including fish, shellfish, mollusks, frogs, etc., produced within confined space

290 **Forest products,** including forest nurseries and seed gathering, extraction of pine gum, and gathering of forest products

300 **Agricultural production,** not specified

Schedule R (Form 1040)

Department of the Treasury
Internal Revenue Service (L)

Credit for the Elderly or the Disabled

► For Paperwork Reduction Act Notice, see Form 1040 Instructions.
► Attach to Form 1040. ► See separate Instructions for Schedule R.

OMB No. 1545-0074

1988

Attachment Sequence No. 17

Name(s) as shown on Form 1040

Your social security number

You may be able to use Schedule R to reduce your tax if by the end of 1988:

- You were 65 or older, **OR**
- You were under 65, you retired on **permanent and total** disability, and you received taxable disability income.

Even if one of the situations described above applies to you, you must meet other tests to be able to take the credit on Schedule R. See the separate Schedule R Instructions for details.

Note: *In most cases IRS can figure this credit for you. See page 16 of the Form 1040 Instructions.*

Part I Check the Box That Applies to Your Filing Status and Age (Check only one box)

If your filing status is:	And by the end of 1988:	Check box:
Single*	1 You were 65 or older	1 ☐
	2 You were under 65 and you retired on permanent and total disability	2 ☐
* Includes Head of household and Qualifying widow(er) with dependent child		
Married filing a joint return	3 Both spouses were 65 or older	3 ☐
	4 Both spouses were under 65, but only one spouse retired on permanent and total disability	4 ☐
	5 Both spouses were under 65, and both retired on permanent and total disability	5 ☐
	6 One spouse was 65 or older, and the other spouse was under 65 and retired on permanent and total disability	6 ☐
	7 One spouse was 65 or older, and the other spouse was under 65 and **NOT** retired on permanent and total disability	7 ☐
Married filing a separate return	8 You were 65 or older, and you did not live with your spouse at any time in 1988	8 ☐
	9 You were under 65, you retired on permanent and total disability, and you did not live with your spouse at any time in 1988	9 ☐

Note: *If you checked the box on line 1, 3, 7, or 8, skip Part II and complete Part III. If you checked the box on line 2, 4, 5, 6, or 9, complete Parts II and III.*

Part II Statement of Permanent and Total Disability (Complete **only** if you checked the box on line 2, 4, 5, 6, or 9 above)

IF: 1 You filed a physician's statement for this disability for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician checked Box B on the statement, **AND**

2 Due to your continued disabled condition you were unable to engage in any substantial gainful activity in 1988, check this box. ► ☐

If you checked this box, you do not have to file another statement for 1988. If you did not check this box, have your physician complete the following statement.

Physician's Statement

I certify that _____
Name of disabled person

was permanently and totally disabled on January 1, 1976, or January 1, 1977, **OR** was permanently and totally disabled on the date he or she retired. Date retired if retired after December 31, 1976 ► _____

Physician: Sign your name on **either** line A or B below and check the box to the right of your signature.

A The disability has lasted, or can be expected to last, continuously for at least a year . . . _____ Physician's signature _____ Date **A** ☐

B There is no reasonable probability that the disabled condition will ever improve . . . _____ Physician's signature _____ Date **B** ☐

Physician's name _____ Physician's address _____

Instructions for Statement

Taxpayer

Enter in the space provided the date you retired if you retired after December 31, 1976.

Physician

A person is permanently and totally disabled when—

- He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and
- A physician determines that the disability:
  1. has lasted, or can be expected to last, continuously for at least a year; or
  2. can be expected to lead to death.

(Continued on back)

Part III Figure the Amount of Your Credit

10 Enter: $5,000 if you checked the box on line 1, 2, 4, or 7 in Part I, **OR**
$7,500 if you checked the box on line 3, 5, or 6 in Part I, **OR**
$3,750 if you checked the box on line 8 or 9 in Part I. 10

Caution: *If you checked the box on line 2, 4, 5, 6, or 9 in Part I, you **MUST** complete line 11 below. Otherwise, skip line 11 and enter the amount from line 10 on line 12.*

11 Enter on this line your taxable disability income (and also your spouse's if you checked the box on line 5 in Part I) that you reported on Form 1040. However, if you checked the box on line 6 in Part I, enter on this line the taxable disability income of the spouse who was under age 65 **PLUS** $5,000. (For more details on what to include, see the Instructions.) 11

12 If you completed line 11 above, compare the amounts on lines 10 and 11, and enter the **smaller** of the two amounts on this line. Otherwise, enter the amount from line 10 on this line 12

13 Enter the following pensions, annuities, or disability income that you (and your spouse if you file a joint return) received in 1988 (see Instructions):

a Nontaxable part of social security benefits, and
Nontaxable part of railroad retirement benefits treated as social security 13a

b Nontaxable veterans' pensions, and
Any other pension, annuity, or disability benefit that is excluded from income under any other provision of law 13b

c Add lines 13a and 13b. (Even though these income items are not subject to income tax, they **must** be included to figure your credit.) If you did not receive any of the types of nontaxable income listed on line 13a or 13b, enter -0- on line 13c 13c

14 Enter the amount from Form 1040, line 32 14

15 Enter: $7,500 if you checked the box on line 1 or 2 in Part I, **OR**
$10,000 if you checked the box on line 3, 4, 5, 6, or 7 in Part I, **OR**
$5,000 if you checked the box on line 8 or 9 in Part I. 15

16 Subtract line 15 from line 14. Enter the result. If line 15 is more than line 14, enter -0- 16

17 Divide the amount on line 16 by 2. Enter the result 17

18 Add lines 13c and 17. Enter the total 18

19 Subtract line 18 from line 12. Enter the result. If the result is zero or less, stop here; you **cannot** take the credit. Otherwise, go on to line 21 19

20 Percentage used to figure the credit . . . . . 20 × .15

21 Multiply the amount on line 19 by the percentage (.15) on line 20 and enter the result. If you do not file Schedule C, D, E, or F (Form 1040), enter the amount from line 21 on Form 1040, line 42. Otherwise, see the instructions to determine if your credit may be further limited 21

1988

Department of the Treasury
Internal Revenue Service

Instructions for Schedule R (Form 1040)

Credit for the Elderly or the Disabled

Purpose of Schedule

Schedule R (Form 1040) is used to figure the credit for the elderly or the disabled.

Who Can Take the Credit

Some elderly people and certain disabled people may take this credit and pay less tax. The credit is based on your filing status, age, and income. If you are married filing a joint return, it is also based on your spouse's age and income.

Age 65 or older.—You may be able to take the credit for 1988 if you were age 65 or older at the end of 1988.

Disabled.—If you were under age 65 at the end of 1988, you may also be able to take the credit if you meet **ALL** of the following tests:

a. You retired on **permanent and total** disability on the date you retired; or if you retired before January 1, 1977, you were permanently and totally disabled on January 1, 1976, or January 1, 1977; and

b. You received taxable disability income for 1988; and

c. On January 1, 1988, you had not reached the age when your employer's retirement program would have required you to retire.

For the definition of what is permanent and total disability, see **What is permanent and total disability** on this page. Also see the instructions for Part II.

Note: *Generally, if you were married at the end of 1988, you must file a joint return to take the credit. However, see* ***Married persons*** *in the instructions for Part I.*

Income limitations.—Generally, you cannot take the credit if you are:

- Single and the amount on Form 1040, line 32, is $17,500 or more; or you receive $5,000 or more of nontaxable social security or other nontaxable pensions.
- Married, filing a joint return, only one spouse is eligible for the credit, and the amount on Form 1040, line 32, is $20,000 or more; or you receive $5,000 or more of nontaxable social security or other nontaxable pensions.
- Married, filing a joint return, both spouses are eligible for the credit, and the amount on Form 1040, line 32, is $25,000 or more; or you receive $7,500 or more of nontaxable social security or other nontaxable pensions.
- Married, filing a separate return, did not live with your spouse all year, and the amount on Form 1040, line 32, is $12,500 or more; or you receive $3,750 or more of nontaxable social security or other nontaxable pensions.

What is permanent and total disability.—If you were under age 65 at the end of 1988, you must be permanently and totally disabled to be able to take the credit. A person is permanently and totally disabled when:

a. He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and

b. A physician determines that the condition (1) has lasted or can be expected to last continuously for at least a year; or (2) can be expected to lead to death.

Examples 1 and 2 below show situations in which the taxpayers were considered to have engaged in substantial gainful activity. **Note:** *In each example, the taxpayer was under age 65 at the end of the year.*

Example (1): Sue retired on disability as a sales clerk. She now works as a full-time babysitter at a rate of pay equal to the minimum wage. Although she does different work, Sue babysits on ordinary terms for the minimum wage. She cannot take the credit.

Example (2): Mary, the president of XYZ Corporation, retired on disability because of her terminal illness. At her doctor's advice, she works part-time as a manager and is paid more than the minimum wage. Her employer sets her days and hours. Although Mary's illness is terminal and she works part-time, the work is done at her employer's convenience; therefore, she is considered engaged in a substantial gainful activity. She cannot take the credit.

Example 3 shows a person who might not be considered to be engaged in a substantial gainful activity.

Example (3): John, who retired on disability, took a job with a former employer on a trial basis. The purpose of the job was to see if John could do the work. The trial period lasted for some time during which John was paid at a rate equal to the minimum wage. However, because of John's disability, only light duties of a nonproductive, make-work nature were given him. Unless the activity is both substantial and gainful, John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above the minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. Therefore, these facts do not, by themselves, establish John's ability to engage in substantial gainful activity.

Disability income.—Generally, disability income is the total amount you are paid under your employer's accident and health plan or pension plan that is included in your income as wages or payments in lieu of wages for the time you are absent from work because of permanent and total disability. However, any payment you receive from a plan that does not provide for disability retirement is not disability income. For more information on disability income, get **Pub. 525,** Taxable and Nontaxable Income.

Figuring the Credit

If you want us to, in most cases we will figure the credit for you. For more details, see the Form 1040 instructions on page 16 under **IRS Will Figure Your Tax and Some of Your Credits.**

If you figure the credit yourself, first fill out Form 1040 through line 41. Then read the following instructions.

Line-by-Line Instructions

Part I

Filing Status and Age

In general, the largest amount you can use to figure the credit is based on your filing status and age, and, if you are married and file a joint tax return, on your spouse's age. Check the box for your filing status and age. Check only one box.

Single.—Check the box on line 1 or line 2 if your filing status is single, head of household, or qualifying widow(er) with dependent child.

Married persons.—If you were married at the end of 1988, generally you must file a joint return to take the credit. However, if your filing status on Form 1040 is married filing separate, you may take the credit only if you lived apart from your spouse **ALL** year.

Note: *If you were married at the end of 1988 but you meet the special rules for filing as head of household, you do not have to live apart from your spouse all year. For information on filing status see page 7 of the Form 1040 instructions.*

Nonresident aliens.—A person who is a nonresident alien for any part of the year may take the credit only if: he or she is married to a U.S. citizen or resident alien at the end of the tax year; and the couple elects to file a joint return.

Part II

Statement of Permanent and Total Disability

If you checked the box on line 2, 4, 5, 6, or 9 in Part I, and you did not file a physician's statement for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician checked box A on the statement, you must have your physician complete a statement showing that:

- You were permanently and totally disabled on the date you retired; or
- If you retired before January 1, 1977, you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

You must attach this statement to Form 1040. You can use the physician's statement in Part II for this purpose. The physician should show on the statement whether the disability has lasted or can be expected to last continuously for at least a year, or whether there is no reasonable probability that the disabled condition will ever improve. If you file a joint tax return and you checked the box on line 5, you and your spouse must each file a statement. Keep a copy of this statement with your tax records.

If you filed a physician's statement for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician checked box B on the statement, you do not have to attach another physician's statement for 1988. However, you must check the box on line 2 in Part II to certify: that you filed a physician's statement in an earlier year; you were permanently and totally disabled during 1988; and you were unable to engage in any substantial gainful activity during 1988 because of your physical or mental condition.

If the Veterans' Administration (VA) certifies that you are permanently and totally disabled, you can file **Form 6004** instead of the physician's statement. Form 6004 must be signed by a person authorized by the VA to do so. You can get Form 6004 from the VA.

Part III

Figure the Amount of Your Credit

Line 11.—If you checked the box on line 2, 4, 5, 6, or 9 in Part I, complete line 11 as follows:

- If you checked the box on line 2, 4, or 9, include on line 11 the total amount of disability income that you reported on Form 1040.
- If you checked the box on line 5, include on line 11 the total amount of disability income for both you and your spouse that you reported on Form 1040.
- If you checked the box on line 6, include on line 11 $5,000 plus the amount of disability income that you reported on Form 1040, which was for the spouse who was under 65.

Example (1): Bill, age 63, retired on permanent and total disability in 1988. He received $4,000 of taxable disability payments that he reported on Form 1040, line 7. He filed a joint return with his wife who was age 67 in 1988. Bill includes on line 11 of Schedule R $9,000 ($5,000 plus the $4,000 of taxable disability payments he reported on Form 1040).

Example (2): John checked the box on line 2 and enters $5,000 on line 10. He received $3,000 of taxable disability payments; therefore, he enters $3,000 on line 11. John also enters $3,000 on line 12 (the smaller of line 10 or line 11). The largest amount he can use to figure the credit is $3,000.

Lines 13 through 18.— The amount on which you figure your credit may be reduced if you received certain types of nontaxable pensions and annuities, **OR** if your adjusted gross income on Form 1040, line 32, is more than a certain dollar amount, depending on which box you checked in Part I. Complete lines 13 through 18 as applicable.

Line 13a.—Enter the part of social security benefits (before deduction of Medicare premiums) you (and your spouse if you file a joint return) received for 1988 that are not included in income. Also enter the part of tier 1 railroad retirement benefits treated as social security that are not included in income.

If any of your social security benefits are taxable, the amount to enter on this line is generally the difference between line 21a and line 21b of Form 1040.

Note: *If your social security benefits are reduced because of workers' compensation benefits, the workers' compensation benefits are treated as social security benefits for purposes of completing line 13a.*

Line 13b.—Enter any of the following amounts of income that you (and your spouse if you file a joint return) received for 1988:

- Veterans' pensions (but not military disability pensions).
- Any other pension, annuity, or disability benefit that is excluded from income under any provision of Federal law other than the Internal Revenue Code. (Do not include amounts that are treated as a return of your cost of a pension or annuity.)

Do not include on line 13b any pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country, or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under Section 808 of the Foreign Service Act of 1980.

Line 21.—You may not be able to take the full amount of the credit you figured on line 21 if:

- You file Schedule C, D, E, or F (Form 1040), **and**
- The amount on Form 1040, line 23, is more than:
  - -$30,000 if single or head of household;
  - -$40,000 if married filing jointly or qualifying widow(er); or
  - -$20,000 if married filing separately.

Note: *For purposes of the above test, any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction must be added to the amount from Form 1040, line 23.*

If both of the above conditions do **not** apply, enter on Form 1040, line 42, the amount from Schedule R, line 21. If both of the above conditions **do** apply, get **Form 6251**, Alternative Minimum Tax—Individuals, and complete it through line 15. Then, figure the amount of credit you may take as follows:

a. Enter amount from Form 1040, line 40, less any dependent care credit on Form 1040, line 41 . . . **a.** _____

b. Enter amount from Form 6251, line 15 **b.** _____

c. Maximum credit. Subtract line b from line a. If zero or less, enter zero . . . . **c.** _____

Compare the credit you first figured on Schedule R, line 21, with the amount on line c above. Enter the **smaller** of the two amounts on Schedule R, line 21, and on Form 1040, line 42. If the amount on line c is the smaller amount, also write "AMT" on the dotted line to the left of line 42.

Additional Information

Get **Pub. 524**, Credit for the Elderly or the Disabled, for more details on the credit.

SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service (L)

Social Security Self-Employment Tax

▶ **See Instructions for Schedule SE (Form 1040).**
▶ **Attach to Form 1040.**

OMB No. 1545-0074
1988
Attachment Sequence No. **18**

Name of person with **self-employment** income (as shown on social security card) | Social security number of person with **self-employment** income ▶

Who Must File Schedule SE

You must file Schedule SE if:

- Your net earnings from self-employment were $400 or more (or you had wages of $100 or more from an electing church or church organization); AND
- You did not have wages (subject to social security or railroad retirement tax) of $45,000 or more.

For more information about Schedule SE, see the Instructions.

Note: *Most taxpayers can now use the new short Schedule SE on this page. But, you may have to use the longer Schedule SE that is on the back.*

Who MUST Use the Long Schedule SE (Section B)

You must use Section B if ANY of the following applies:

- You choose the "optional method" to figure your self-employment tax. See Section B, Part II;
- You are a minister, member of a religious order, or Christian Science practitioner and received IRS approval (from **Form 4361**) not to be taxed on your earnings from these sources, but you owe self-employment tax on other earnings;
- You are an employee of a church or church organization that chose by law not to pay employer social security taxes;
- You have tip income that is subject to social security tax, but you did not report those tips to your employer; OR
- You are a government employee with wages subject ONLY to the 1.45% medicare part of the social security tax.

Section A—Short Schedule SE

(Read above to see if you must use the long Schedule SE on the back (Section B).)

1 Net farm profit or (loss) from Schedule F (Form 1040), line 39, and farm partnerships, Schedule K-1 (Form 1065), line 14a	1		
2 Net profit or (loss) from Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 14a (other than farming). See the Instructions for other income to report	2		
3 Add lines 1 and 2. Enter the total. If the total is less than $400, **do not** file this schedule	3		
4 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1988 is	4	$45,000	00
5 Total social security wages and tips from Forms W-2 and railroad retirement compensation (tier 1)	5		
6 Subtract line 5 from line 4. Enter the result. (If the result is zero or less, **do not** file this schedule.)	6		
7 Enter the **smaller** of line 3 or line 6	7		
If line 7 is $45,000, enter $5,859 on line 8. Otherwise, multiply line 7 by .1302 and enter the result on line 8		×.1302	
8 Self-employment tax. Enter this amount on Form 1040, line 48	8		

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule SE (Form 1040) 1988

Name of person with **self-employment** income (as shown on social security card) | Social security number of person with **self-employment** income ▶

Section B—Long Schedule SE

(Before completing, see if you can use the short Schedule SE on the other side (Section A).)

A If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner, AND you filed **Form 4361**, then DO NOT file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 48. However, if you filed Form 4361, but have $400 or more of other earnings subject to self-employment tax, continue with Part I and check here. ▶ ☐

B If your only earnings subject to self-employment tax are wages from an electing church or church-controlled organization that is exempt from employer social security taxes and you are not a minister or a member of a religious order, skip lines 1–3b. Enter zero on line 3c and go on to line 5a.

Part I Figure Social Security Self-Employment Tax

1	Net farm profit or (loss) from Schedule F (Form 1040), line 39, and farm partnerships, Schedule K-1 (Form 1065), line 14a	1	
2	Net profit or (loss) from Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 14a (other than farming). (See Instructions for other income to report.) Employees of an electing church or church-controlled organization **do not** enter your Form W-2 wages on line 2. See the Instructions	2	
3a	Enter the amount from line 1 (**or,** if you elected the farm optional method, Part II, line 10)	3a	
b	Enter the amount from line 2 (**or,** if you elected the nonfarm optional method, Part II, line 12)	3b	
c	Add lines 3a and 3b. Enter the total. If the total is less than $400, **do not** file this schedule. (**Exception:** *If you are an employee of an electing church or church-controlled organization and the total of lines 3a and 3b is less than $400, enter zero and complete the rest of this schedule.*)	3c	
4	The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1988 is	4	$45,000 00
5a	Total social security wages and tips from Forms W-2 and railroad retirement compensation (tier 1). **Note:** *Government employees whose wages are subject only to the 1.45% medicare tax and employees of certain church or church-controlled organizations should* **not** *include those wages on this line. See Instructions* — 5a		
b	Unreported tips subject to social security tax from Form 4137, line 9, or to railroad retirement tax (tier 1) — 5b		
c	Add lines 5a and 5b. Enter the total	5c	
6a	Subtract line 5c from line 4. Enter the result. (If the result is zero or less, enter zero.)	6a	
b	Enter your medicare qualified government wages if you are required to use the worksheet in the Instructions — 6b		
c	Enter your Form W-2 wages of $100 or more from an electing church or church-controlled organization — 6c		
d	Add lines 3c and 6c. Enter the total	6d	
7	Enter the **smaller** of line 6a or line 6d	7	
	If line 7 is $45,000, enter $5,859 on line 8. Otherwise, multiply line 7 by .1302 and enter the result on line 8		×.1302
8	Self-employment tax. Enter this amount on Form 1040, line 48	8	

Part II Optional Method To Figure Net Earnings (See "Who Can File Schedule SE" in the Instructions.)

See Instructions for limitations. Generally, you may use this part **only** if:

A Your **gross** farm income[1] was not more than $2,400; **or**

B Your **gross** farm income[1] was more than $2,400 and your **net** farm profits[2] were **less** than $1,600; **or**

C Your **net** nonfarm profits[3] were less than $1,600 and also **less** than two-thirds (⅔) of your **gross** nonfarm income.[4]

Note: *If line 2 above is two-thirds (⅔) or more of your gross nonfarm income[4], or if line 2 is $1,600 or more, you may* **not** *use the optional method.*

[1]From Schedule F (Form 1040), line 12, and Schedule K-1 (Form 1065), line 14b
[2]From Schedule F (Form 1040), line 39, and Schedule K-1 (Form 1065), line 14a
[3]From Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 14a
[4]From Schedule C (Form 1040), line 5, and Schedule K-1 (Form 1065), line 14c

9	Maximum income for optional methods	9	$1,600 00
10	**Farm Optional Method**—If you meet test A or B above, enter the **smaller** of: two-thirds (⅔) of gross farm income from Schedule F (Form 1040), line 12, and farm partnerships, Schedule K-1 (Form 1065), line 14b; **or** $1,600. Also enter this amount on **line** 3a above	10	
11	Subtract line 10 from line 9. Enter the result	11	
12	**Nonfarm Optional Method**—If you meet test C above, enter the **smallest** of: two-thirds (⅔) of gross nonfarm income from Schedule C (Form 1040), line 5, and Schedule K-1 (Form 1065), line 14c (other than farming); **or** $1,600; **or,** if you elected the farm optional method, the amount on line 11. Also enter this amount on line 3b above	12	

Form **1040A**

Department of the Treasury -- Internal Revenue Service

U.S. Individual Income Tax Return (L) 1988

OMB No. 1545-0085

Step 1 Label

Use IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial (if joint return, also give spouse's name and initial) Last name

Present home address (number, street, and apt. no.). (If you have a P.O. Box, see page 13 of the instructions.)

City, town or post office, state, and ZIP code

Your social security no.

Spouse's social security no.

For **Privacy Act and Paperwork Reduction Act Notice**, see page 3.

Presidential Election Campaign Fund

Do you want $1 to go to this fund? ☐ Yes ☐ No

If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No

Note: *Checking "Yes" will not change your tax or reduce your refund.*

Step 2 Check your filing status

(Check only one)

1 ☐ Single (See if you can use Form 1040EZ.)

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. Enter spouse's social security number above and spouse's full name here. _____

4 ☐ Head of household (with qualifying person). (See page 15.) If the qualifying person is your child but not your dependent, enter this child's name here. _____

5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19 ____). (See page 16.)

Step 3 Figure your exemptions

(See page 16 of instructions.)

6a ☐ **Yourself** If someone (such as your parent) can claim you as a dependent on his or her tax return, do not check box 6a. But be sure to check the box on line 15b on page 2.

6b ☐ **Spouse**

No. of boxes checked on 6a and 6b ____

c Dependents:

1. Name (first, initial, and last name)	2. Check if under age 5	3. If age 5 or older, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1988

If more than 7 dependents, see page 19.

No. of your children on 6c who:

- lived with you ____
- didn't live with you due to divorce or separation (see page 19) ____

No. of **other** dependents listed on 6c ____

Attach Copy B of Form(s) W-2 here.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here ▶ ☐

e Total number of exemptions claimed. Add numbers entered on lines above ☐

Step 4 Figure your total income

Attach check or money order here.

7	Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.)	7	
8a	**Taxable** interest income (see page 22). (If over $400, also complete and attach Schedule 1, Part II.)	8a	
b	**Tax-exempt** interest income (see page 23). (DO NOT include on line 8a.)	8b	
9	Dividends. (If over $400, also complete and attach Schedule 1, Part III.)	9	
10	Unemployment compensation (insurance) from Form(s) 1099-G.	10	
11	Add lines 7, 8a, 9, and 10. Enter the total. This is your **total income**. ▶	11	

Step 5 Figure your adjusted gross income

12a	Your IRA deduction from applicable worksheet. Rules for IRAs begin on page 24.	12a	
b	Spouse's IRA deduction from applicable worksheet. Rules for IRAs begin on page 24.	12b	
c	Add lines 12a and 12b. Enter the total. These are your **total adjustments.**	12c	
13	Subtract line 12c from line 11. Enter the result. This is your **adjusted gross income**. (If this line is less than $18,576 and a child lived with you, see "Earned Income Credit" (line 23b) on page 34 of instructions.) ▶	13	

Step 6
Figure your standard deduction, exemption amount, and taxable income

14 Enter the amount from line 13. 14

15a Check if: ☐ **You** were 65 or older ☐ Blind ☐ **Spouse** was 65 or older ☐ Blind **Enter number of boxes checked** ▶ 15a

b If someone (such as your parent) can claim you as a dependent, check here ▶ 15b ☐

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, see page 28 and check here ▶ 15c ☐

16 **Standard deduction.** See pages 28–29 for the amount to enter. 16

17 Subtract line 16 from line 14. Enter the result. (If line 16 is more than line 14, enter -0-.) 17

18 Multiply $1,950 by the total number of exemptions claimed on line 6e. 18

19 Subtract line 18 from line 17. Enter the result. (If line 18 is more than line 17, enter -0-.) This is your **taxable income**. ▶ 19

Step 7
Figure your tax, credits, and payments (including advance EIC payments)

If You Want IRS To Figure Your Tax, See Page 29 of the Instructions.

Caution: If you are under age 14 and have more than $1,000 of investment income, check here ▶ ☐
Also see page 30 to see if you have to use Form 8615 to figure your tax.

20 Find the tax on the amount on line 19. Check if from: ☐ Tax Table (pages 37–42) or ☐ Form 8615 20

21 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 21

22 Subtract line 21 from line 20. Enter the result. (If line 21 is more than line 20, enter -0-.) This is your **total tax**. ▶ 22

23a Total Federal income tax withheld—from Box 9 of your W-2 form(s). (If any is from Form(s) 1099, check here ▶ ☐ .) 23a

b Earned income credit, from the worksheet on page 35 of the instructions. Also see page 34. 23b

24 Add lines 23a and 23b. Enter the total. These are your **total payments**. ▶ 24

Step 8
Figure your refund or amount you owe

25 If line 24 is more than line 22, subtract line 22 from line 24. Enter the result. This is the **amount of your refund**. 25

26 If line 22 is more than line 24, subtract line 24 from line 22. Enter the result. This is the **amount you owe**. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1988 Form 1040A" on it. 26

Step 9
Sign your return

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature | Date | Your occupation

X

Spouse's signature (if joint return, both must sign) | Date | Spouse's occupation

X

Paid preparer's use only

Preparer's signature | Date | Preparer's social security no.

X

Firm's name (or yours if self-employed) | Employer identification no.

Address and ZIP code | Check if self-employed ☐

1988 **Schedule 1 (Form 1040A)**

Name(s) as shown on Form 1040A

OMB No. 1545-0085

Your social security number

You MUST complete and attach Schedule 1 to Form 1040A only if you:

- Claim the credit for child and dependent care expenses (complete **Part I**)
- Have over $400 of taxable interest income (complete **Part II**)
- Have over $400 of dividend income (complete **Part III**)

Part I Credit for child and dependent care expenses (see page 30 of the instructions)

Complete this part to figure the amount of credit you can take on Form 1040A, line 21. Attach Schedule 1 to Form 1040A.

Note: *If you paid cash wages of $50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get* ***Form 942*** *for details.*

1 Enter the number of qualifying persons who were cared for in 1988. You must have shared the same home with any person you claim. (See the instructions for the definition of a qualifying person.) — 1

2 Enter the amount of **qualified** expenses you incurred and actually paid in 1988 for the care of the qualifying person. (See the instructions to find out which expenses qualify.) DO NOT enter more than $2,400 ($4,800 if you paid for the care of two or more qualifying persons). — 2

3 a You **must** enter your earned income on line 3a (see page 32). — 3a

b If you are married, filing a joint return for 1988, you must enter your spouse's earned income on line 3b. (If spouse is a full-time student or is disabled, see the instructions for the amount to enter on this line.) — 3b

c If you are married, compare the amounts on lines 3a and 3b, and enter the **smaller** of the two amounts on line 3c. — 3c

4 • If you were unmarried at the end of 1988, compare the amounts on lines 2 and 3a, and enter the **smaller** of the two amounts on line 4.
• If you are married, filing a joint return for 1988, compare the amounts on lines 2 and 3c, and enter the **smaller** of the two amounts on line 4. — 4

5 Enter the decimal amount from the table below that applies to the amount on Form 1040A, line 14.

If line 14 is: Over—	But not over—	Decimal amount is:	If line 14 is: Over—	But not over—	Decimal amount is:
$0	10,000	.30	$20,000	22,000	.24
10,000	12,000	.29	22,000	24,000	.23
12,000	14,000	.28	24,000	26,000	.22
14,000	16,000	.27	26,000	28,000	21
16,000	18,000	.26	28,000		.20
18,000	20,000	.25			

5 × .

6 Multiply the amount on line 4 by the decimal amount on line 5. Enter the result here and on Form 1040A, line 21. — 6 =

1988 **Schedule 1 (Form 1040A)**

OMB No. 1545-0085

Name(s) as shown on Form 1040A. (Do not complete if shown on other side.)

Your social security number

Part II **Interest Income** (see page 22 of the instructions)

Complete this part and attach Schedule 1 to Form 1040A if you received over $400 in taxable interest. Even if you are not required to complete this part, you must report all interest on Form 1040A.

Note: *If you received a Form 1099-INT or Form 1099-OID from a brokerage firm, enter the firm's name and the total interest shown on that form.*

1 List name of payer	Amount
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$

2 Add amounts on line 1. Enter the total here and on Form 1040A, line 8a. 2

Part III **Dividend Income** (see page 23 of the instructions)

Complete this part and attach Schedule 1 to Form 1040A if you received over $400 in dividends. Even if you are not required to complete this part, you must report all taxable dividends on Form 1040A.

Note: *If you received a Form 1099-DIV from a brokerage firm, enter the firm's name and the total dividends shown on that form.*

1 List name of payer	Amount
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$

2 Add amounts on line 1. Enter the total here and on Form 1040A, line 9. 2

Form **1040EZ**

Department of the Treasury - Internal Revenue Service

Income Tax Return for Single filers with no dependents

(0) **1988**

OMB No. 1545-0675

Name & address

Use the IRS mailing label. If you don't have one, please print.

LABEL HERE

Print your name above (first, initial, last)

Present home address (number, street, and apt. no.) (If you have a P.O. box, see back.)

City, town, or post office, state, and ZIP code

Please print your numbers like this: 0 1 2 3 4 5 6 7 8 9

Your social security number

Please read the instructions on the back of this form. Also, see page 13 of the booklet for a helpful checklist.

Presidential Election Campaign Fund
Do you want $1 to go to this fund? Note: Checking "Yes" will not change your tax or reduce your refund. ▶ Yes No

Dollars Cents

Report your income

Attach Copy B of Form(s) W-2 here

1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).) 1

2 Taxable interest income of $400 or less. If the total is more than $400, you cannot use Form 1040EZ. 2

3 Add line 1 and line 2. This is your **adjusted gross income.** 3

Note: You must check Yes or No.

4 Can your parents or someone else claim you on their return?
☐ **Yes.** Do worksheet on back; enter amount from line E here.
☐ **No.** Enter 3,000 as your standard deduction. 4

5 Subtract line 4 from line 3. If line 4 is larger than line 3, enter 0. 5

6 If you checked the "Yes" box on line 4, enter **0.**
If you checked the "No" box on line 4, enter **1,950.**
This is your **personal exemption.** 6

7 Subtract line 6 from line 5. If line 6 is larger than line 5, enter 0. This is your **taxable income.** 7

Figure your tax

8 Enter your Federal income tax withheld from Box 9 of your W-2 form(s). 8

9 Use the **single** column in the tax table on pages 37-42 of the Form 1040A/1040EZ booklet to find the **tax** on the amount shown on **line 7** above. Enter the amount of tax. 9

Refund or amount you owe

10 If line 8 is larger than line 9, subtract line 9 from line 8. Enter the **amount of your refund.** 10

11 If line 9 is larger than line 8, subtract line 8 from line 9. Enter the **amount you owe.** Attach check or money order for the full amount, payable to "Internal Revenue Service." 11

Attach tax payment here

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature Date

For IRS Use Only—Please do not write in boxes below.

1988 Instructions for Form 1040EZ

Use this form if:

- Your filing status is single.
- You do not claim any dependents.
- You had **only** wages, salaries, tips, and taxable scholarships or fellowships, and your taxable interest income was $400 or less. ***Caution:*** *If you earned tips (including allocated tips) that are not included in Box 14 of your W-2, you may not be able to use Form 1040EZ. See page 22 in the 1040A and 1040EZ instruction booklet.*
- You are under 65 and not blind.
- Your taxable income (line 7) is less than $50,000.

If you can't use this form, use Form 1040A or Form 1040. See pages 10 through 12 in the booklet.

Completing your return

Please print your numbers inside the boxes. Do not type your numbers. Do not use dollar signs. You may round off cents to whole dollars. To do so, drop amounts under 50 cents and increase amounts that are 50 cents or more. For example, $129.49 becomes $129 and $129.50 becomes $130. If you round off, do so for all amounts. But if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding and round off only the total.

Name & address

Please use the mailing label we sent you. It can help speed your refund. After you complete your return, put the label in the name and address area. Cross out any errors. Print the right information on the label (including apartment number). If you don't have a label, print your name, address, and social security number. If your post office does not deliver mail to your home and you have a P.O. box, show your P.O. box number instead of your home address.

Presidential campaign fund

Congress set up this fund to help pay for Presidential election costs. If you want $1 of your tax to go to this fund, check the "Yes" box. If you check "Yes," your tax or refund will not change.

Report your income

Line 1. If you don't get your W-2 by February 15, contact your local IRS office. You must still report your wages, salaries, and tips even if you don't get a W-2 from your employer. Students, if you received a scholarship or fellowship, see page 22 in the booklet.

Line 2. Banks, savings and loans, credit unions, etc., should send you a Form 1099-INT showing the amount of taxable interest paid to you. You must report all your taxable interest even if you don't get a Form 1099-INT. If you had tax-exempt interest, such as on municipal bonds, write "TEI" in the space to the left of line 2. After "TEI," show the amount of your tax-exempt interest. **Do not** add tax-exempt interest in the total on line 2.

Line 4. If you checked the "Yes" box because your parents or someone else can claim you as a dependent on their tax return, fill in this worksheet. If you don't know if someone can claim you as a dependent, see page 17 in the booklet.

Standard deduction worksheet for dependents who checked "Yes" on line 4

A.	Enter the amount from line 1 on front.	A. _____
B.	Minimum amount.	B. 500.00
C.	**Compare** the amounts on lines A and B above. Enter the LARGER of the two amounts here.	C. _____
D.	Maximum amount.	D. 3,000.00
E.	**Compare** the amounts on lines C and D above. Enter the SMALLER of the two amounts here and on line 4 on front.	E. _____

Figure your tax

Line 8. If you received a Form 1099-INT showing income tax withheld (backup withholding), include the amount in the total on line 8. To the left of line 8, write "Form 1099." If you had two or more employers and had total wages of over $45,000, see page 33.

If you want IRS to figure your tax, skip lines 9 through 11. Then sign and date your return. If you paid too much tax, we will send you a refund. If you didn't pay enough tax, we will send you a bill. We won't charge you interest or a late payment penalty if you pay within 30 days of the notice date or by April 17, 1989, whichever is later. If you want to figure your own tax, complete the rest of your return.

Amount you owe

Line 11. If you owe tax, attach your check or money order for the full amount. Write your social security number, daytime phone number, and "1988 Form 1040EZ" on your payment.

Sign your return

You must sign and date your return. If you pay someone to prepare your return, that person must sign it and show other information. See page 36 in the booklet.

Mailing your return

Mail your return by **April 17, 1989**. Use the envelope that came with your booklet. If you don't have that envelope, see page 45 for the address.

Form **1040X** (Rev. October 1988)

Department of the Treasury—Internal Revenue Service

Amended U.S. Individual Income Tax Return

OMB No. 1545-0091
Expires 9-30-90

This return is for calendar year ▶ 19 , OR fiscal year ended ▶ , 19 .

Please print or type

Your first name and initial (if joint return, also give spouse's name and initial)	Last name	**Your social security number**
Present home address (number, street, and apt. no. or rural route). (If you have a P.O. Box, see Instructions.)		**Spouse's social security number**
City, town or post office, state, and ZIP code		Telephone number (optional) ( )

Enter below name and address as shown on original return (if same as above, write "Same."). If changing from separate to joint return, enter names and addresses used on original returns. (**Note:** *You cannot change from joint to separate returns after the due date has passed.*)

A Service center where original return was filed

B Has original return been changed or audited by IRS? ☐ Yes ☐ No
If "No," have you been notified that it will be? ☐ Yes ☐ No
If "Yes," identify IRS office ▶

C Are you amending your return to include any item (loss, credit, deduction, other tax benefit, or income) relating to a tax shelter required to be registered? ☐ Yes ☐ No
If "Yes," you **MUST** attach **Form 8271,** Investor Reporting of Tax Shelter Registration Number

D Filing status claimed. (**Note:** *You cannot change from joint to separate returns after the due date has passed.*)
On original return ▶ ☐ Single ☐ Married filing joint return ☐ Married filing separate return ☐ Head of household ☐ Qualifying widow(er)
On this return ▶ ☐ Single ☐ Married filing joint return ☐ Married filing separate return ☐ Head of household ☐ Qualifying widow(er)

	Income and Deductions (see Instructions)		A. As originally reported or as adjusted (see Instructions)	B. Net change—Increase or (Decrease)—explain on page 2	C. Correct amount
	1 Total income	1			
	2 Adjustments to income	2			
	3 Adjusted gross income (subtract line 2 from line 1)	3			
	4 Deductions	4			
	5 Subtract line 4 from line 3	5			
	6 Exemptions	6			
	7 Taxable income (subtract line 6 from line 5)	7			
Tax Liability	8 Tax (see Instructions). (Method used in col. C)	8			
	9 Credits (see Instructions)	9			
	10 Subtract line 9 from line 8. Enter the result, but not less than zero	10			
	11 Other taxes (such as self-employment tax, alternative minimum tax)	11			
	12 Total tax liability (add lines 10 and 11)	12			
Payments	13 Federal income tax withheld and excess FICA and RRTA tax withheld	13			
	14 Estimated tax payments	14			
	15 Earned income credit	15			
	16 Credits for Federal tax on fuels, regulated investment company, etc.	16			
	17 Amount paid with Form 4868, Form 2688, or Form 2350 (application for extension of time to file)	17			
	18 Amount paid with original return, plus additional tax paid after it was filed	18			
	19 Add lines 13 through 18 in column C	19			
	Refund or Amount You Owe				
	20 Overpayment, if any, as shown on original return (or as previously adjusted by IRS)	20			
	21 Subtract line 20 from line 19 (see Instructions)	21			
	22 **AMOUNT YOU OWE.** If line 12, col. C, is more than line 21, enter difference. Please pay in full with this return	22			
	23 **REFUND** to be received. If line 12, column C, is less than line 21, enter difference	23			

Please Sign Here Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

Your signature ▶ Date ▶ Spouse's signature (if joint return, BOTH must sign) Date

Paid Preparer's Use Only Preparer's signature ▶ Date Check if self-employed ☐ Preparer's social security no.

Firm's name (or yours if self-employed) and address ▶ E.I. No. ZIP code

For Paperwork Reduction Act Notice, see page 1 of separate Instructions.

BE SURE TO COMPLETE PAGE 2

Part I **Exemptions (see Form 1040 or Form 1040A Instructions)**

If you are not changing your exemptions, do not complete Part I.
If claiming more exemptions, complete lines 1–8 and, if applicable, line 9.
If claiming fewer exemptions, complete lines 1–7.

			A. Number originally reported	B. Net change	C. Correct number
1	For tax years beginning after 1986—yourself and spouse **Caution:** *For tax years beginning after 1986, if someone (such as your parent) can claim you as a dependent, you cannot claim any exemption for yourself.*	1			
2	For tax years beginning before 1987—yourself and spouse, 65 or older, blind	2			
3	Your dependent children who lived with you	3			
4	Your dependent children who did not live with you due to divorce or separation	4			
5	Other dependents	5			
6	Total exemptions (add lines 1 through 5)	6			
7	Multiply $1,950 ($1,900 for tax year 1987, $1,080 for tax year 1986, $1,040, for tax year 1985) by the number of exemptions claimed on line 6. Enter the result here and on page 1, line 6.	7			

8 Dependents (children and other) not claimed on original return.
Note: *Complete column (b) or (c), whichever applies,* ***only*** *if amending your 1987 or 1988 return.*

(a) Full name (first, initial, and last name)	(b) Check if under age 5	(c) If age 5 or older, dependent's social security number	(d) Relationship	(e) No. of months lived in your home

No. of your children on 8 who lived with you ▶
No. of your children on 8 who didn't live with you due to divorce or separation (see instructions) ▶
No. of other dependents listed on 8 ▶

9 If your child listed on line 8 didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here ▶ ☐

Part II **Explanation of Changes to Income, Deductions, and Credits**

Enter the line number from page 1 for each item you are changing and give the reason for each change. Attach all supporting forms and schedules for items changed. Be sure to include your name and social security number on any attachments.

If the change pertains to a net operating loss carryback, a general business credit carryback, or, for tax year 1985, a research credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See the Instructions. Also, check here ▶ ☐

Part III **Presidential Election Campaign Fund**

Checking below will not increase your tax or reduce your refund.

If you did not previously want to have $1 go to the fund, but now want to, check here ▶ ☐
If joint return and your spouse did not previously want to have $1 go to the fund, but now wants to, check here ▶ ☐

Department of the Treasury
Internal Revenue Service

Instructions for Form 1040X

(Revised October 1988)

Amended U.S. Individual Income Tax Return

(Section references are to the Internal Revenue Code.)

General Instructions

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	1 hr., 5 min.
Learning about the law or the form	20 min.
Preparing the form	1 hr., 10 min.
Copying, assembling, and sending the form to IRS	35 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Purpose of Form

Use Form 1040X to correct **Form 1040, Form 1040A,** or **Form 1040EZ.** Also use Form 1040X to file an **injured spouse claim** (explained below). Please note that it often takes 2 to 3 months to process Form 1040X. If you are changing your Federal return, you may also have to change your state return.

Filing Form 1045

You may use **Form 1045,** Application for Tentative Refund, instead of Form 1040X if:

- you are applying for a refund resulting from a net operating loss or credit carryback (other than a foreign tax credit carryback), AND
- less than one year has elapsed since the end of the year in which the loss or credit arose.

See the instructions for Form 1045 for more information about filing that form instead of Form 1040X.

Carryback Claims

You must attach copies of the following to Form 1040X if it is used as a carryback claim.

- Pages 1 and 2 of Form 1040 and Schedule A (if applicable) for the year in which the loss or credit originated. At the top of these forms write "Attachment to Form 1040X— Copy Only—Do Not Process."
- Any Schedules K-1 you received from any partnership, S corporation, estate, or trust for the year of the loss or credit which contribute to the loss or credit carryback.
- Any form or schedule from which the carryback results (such as Form 3800 or Schedule C or F).
- The forms or schedules for items refigured in the carryback year (such as Form 6251, Form 3468, or Schedule A).

All information described above must be attached to your Form 1040X, if applicable, or your Form 1040X will be returned for the attachments.

Net Operating Loss

Attach a computation of your net operating loss using **Schedule A (Form 1045).**

A refund based on a net operating loss should not include the refund of any self-employment tax reported on line 11 of Form 1040X. For more information, get **Pub. 536,** Net Operating Losses.

Injured Spouse Claims

If you file a joint return and your spouse has not paid certain obligations (such as child and spousal support payments and Federal nontax debts such as student loans), all or part of any overpayment of tax shown on that joint return may be used to pay the past due amount. However, your portion of the joint overpayment may be refunded to you if:

- you are not obligated to pay the past due amount;
- you received and reported income (such as wages, taxable interest, etc.) on the joint return, **and**
- you made and reported payments (such as Federal income tax withheld from your wages or estimated tax payments) on the joint return.

If you meet **all** of the above conditions and you want your portion of the overpayment refunded to you, complete **Form 8379,** Injured Spouse Allocation, and Form 1040X through line **D.** Show the names and social security numbers in the same order as shown on the original return. Write "**INJURED SPOUSE**" at the top of Form 1040X and sign the form. You can file an injured spouse claim at the same time you file your Federal income tax return. If you do, attach Form 1040X and Form 8379 to the front of your Form 1040 or Form 1040A, whichever applies, below the name and address area.

Information on Income, Deductions, etc.

If you have questions, such as what income is taxable or what expenses are deductible, the instructions for the return you are amending may help you. Be sure to use the Tax Table or Tax Rate Schedules for the right year to figure the corrected tax. The related schedules and forms may also help you.

Death of Taxpayer

If you are filing a claim for refund for a deceased person, write "deceased" after the deceased's name and show the date of death in the name and address space at the top of Form 1040X. Also write "**DECEASED**" across the top of Form 1040X.

If you are claiming a refund as a surviving spouse filing a joint return with the deceased spouse, also write "Filing as surviving spouse" in the area where you sign the return.

If someone else is the personal representative, he or she must also sign. No other form is needed to have the refund issued if you are:

- a surviving spouse filing a joint return with the deceased; OR
- a court-appointed representative (you MUST attach to Form 1040X a copy of the certificate that shows your appointment).

All other filers requesting the refund of a deceased taxpayer must file **Form 1310,** Statement of Person Claiming Refund Due a Deceased Taxpayer, to claim the refund.

For more details, get **Pub. 559,** Tax Information for Survivors, Executors, and Administrators.

When To File

File Form 1040X after you file your original return, unless you are filing an injured spouse claim. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or within 2 years after the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due. A Form 1040X based on a bad debt or worthless security must generally be filed within 7 years after the due date of the return for the tax year in which the debt or security became worthless (for more details, see section 6511).

A Form 1040X based on a net operating loss carryback, general business credit carryback, or, for tax year 1985, research credit carryback generally must be filed within 3 years after the due date of the return for the tax year of the net operating loss or unused credit.

Where To File

Please use the address for your state. Mail your return to the **Internal Revenue Service Center** for the place where you live. No street address is needed.

If you are located in: ▼	Use this address: ▼
Florida, Georgia, South Carolina	Atlanta, GA 39901
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
Connecticut, Maine, Massachusetts, New Hampshire, New York (all other counties), Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Taxes, Agana, GU 96910
Puerto Rico (or if excluding income under section 933), Virgin Islands: Nonpermanent residents	Philadelphia, PA 19255
Virgin Islands: Permanent residents	V.I. Bureau of Internal Revenue, Lockharts Garden No. 1A, Charlotte Amalie, St. Thomas, VI 00802
Foreign country: U.S. citizens and those filing Form 2555 or Form 4563, even if you have an A.P.O. or F.P.O. address	Philadelphia, PA 19255
A.P.O. or F.P.O. address of:	Miami—Atlanta, GA 39901 New York—Holtsville, NY 00501 San Francisco—Fresno, CA 93888 Seattle—Ogden, UT 84201

Preparer Information

If you fill in your own return, the Paid Preparer's space should remain blank. If someone else prepares your return and does not charge you, that person should **not** sign your return.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Use Only area of your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

The person required to sign your return **MUST** complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with IRS.

Tax return preparers should be familiar with their responsibilities. They should get **Pub. 1045,** Information for Tax Practitioners, for more details.

Line-by-Line Instructions

Page 1

Above your name, enter the calendar year or fiscal year of the return you are amending.

Name and Social Security Number

If amending a joint return, list your names and social security numbers in the same order as shown on the original return.

If changing from a separate to joint return and your spouse did not file an original return, enter your name and social security number first.

P.O. Box

If your post office does not deliver mail to your street address, enter your P.O. box number on the line for your present home address instead of your street address.

Line D—Filing Status

If you are changing from separate returns to a joint return, both of you must sign Form 1040X. If there is any tax due, it must be paid in full.

Column A

Enter the amounts from your return as originally filed or as you later amended it. If your return was changed or audited by IRS, enter the amounts as adjusted.

Column B

Enter the net increase or net decrease for each line you are changing. Bracket all decreases. Explain each change on page 2, Part II, and attach any related schedule or form. For example, if you are amending your return to itemize deductions, attach **Schedule A (Form 1040).** If you need more space, show the required information on an attached statement.

Column C

Add the increase in column B to the amount in column A, or subtract the column B decrease from column A. Show the result in column C. For any item you do not change, enter the amount from column A in column C.

Note: *If you are changing only credits or other taxes, skip lines 1–7 and start with line 8. If changing only payments, skip lines 1–11 and start with line 12.*

Line 1

To figure this amount, add income from all sources, such as wages, taxable interest, dividends, and net profit from business. On Form 1040 for 1985 and 1986, use line 23. For 1987 use line 22. For 1988 use line 23.

On Form 1040A for 1985–1987, use line 10. For 1988 use line 11.

On Form 1040EZ use line 3.

If you are correcting wages or other employee compensation, attach the first copy or Copy B of all additional or corrected Forms W-2 that you got after you filed your original return.

Line 2

Enter all adjustments to income, such as, for 1987 and 1988, reimbursed employee business expenses. On Form 1040 for 1985 and 1986, use lines 24–30. For 1987 use lines 23–28. For 1988 use lines 24–29. Be sure to include as an adjustment to income any write-in adjustment. For more details see your Form 1040 instructions.

On Form 1040A for 1985 and 1986, use lines 11 and 12. For 1987 use lines 11a and 11b. For 1988 use lines 12a and 12b.

Note: *If you are amending your 1987 or 1988 Form 1040 or Form 1040A to change the amount of your IRA deduction, write in Part II on page 2 of Form 1040X "IRA deduction" and the amount of the increase or decrease.*

Line 4

If you itemize deductions on **Schedule A (Form 1040),** enter on line 4 the amount from Schedule A, line 26.

If amending your 1987 or 1988 return and you do **not** itemize, enter on line 4 your standard deduction. On Form 1040 for 1987, use line 33b. For 1988 use line 34. On Form 1040A for 1987, use line 14d. For 1988 use line 16. On Form 1040EZ use line 4.

If amending your 1985 or 1986 return and you do **not** itemize, enter zero on line 4. However, if you claim a deduction for charitable contributions, enter the amount of the deduction on line 4 of Form 1040X.

Note: *If you are amending your 1985 or 1986 Form 1040 or Form 1040A to claim the contribution deduction for nonitemizers, also complete the applicable lines on page 2 of Form 1040 or Form 1040A, whichever applies, and attach that page to Form 1040X.*

If you made an entry on line 4 of the worksheet on page 13 of the Form 1040 instructions for 1985 or 1986, enter the amount from line 4 of the worksheet on line 4 of Form 1040X. Add lines 3 and 4 instead of subtracting, and enter the result on line 5.

Caution: *Some changes you make to income or deductions can cause other amounts to increase or decrease. For example, increasing your income may decrease your deduction for medical expenses or, for 1987 and 1988, your deduction for unreimbursed employee business expenses. It also may increase the allowable deduction for charitable contributions. You should refigure these items whenever you change your return.*

Line 6

If you are changing your exemptions, complete the applicable lines in Part I on page 2 to figure the amounts to enter on line 6.

If you are not changing your exemptions, enter in columns A and C of line 6 the amount you claimed for exemptions on your original return. On Form 1040 for 1985 and 1986, use line 36. For 1987 use line 35. For 1988 use line 36.

On Form 1040A for 1985 and 1986, use line 18. For 1987 use line 16. For 1988 use line 18.

On Form 1040EZ use line 6.

Line 8

Enter your income tax before subtracting any credits. Show on this line the method you use in column C to figure your tax. For example, if you use the Tax Rate Schedules, write "TRS." If, for 1987, you use Part IV of **Schedule D (Form 1040)**, write "Sch. D."

Figure the tax on the taxable income you reported on line 7, column C. Attach the appropriate schedules or forms. Include on line 8 any additional taxes from **Form 4970, Form 4972**, and, for 1985 and 1986, **Form 5544**. For 1985–1988, include any section 72 tax in the total for line 11 of Form 1040X. The forms and instructions for the right year will help you with line 8.

Line 9

Enter your total credits, such as the credit for the elderly or for the disabled, credit for child and dependent care expenses, or, for 1988, credit for prior year minimum tax. On Form 1040 for 1985, use lines 41–44, 47, and 48. For 1986 use lines 41–43, 46, and 47. For 1987 use lines 40, 41, 44, and 45. For 1988 use lines 41–45. Include as a credit any write-in credit. For more details, see your Form 1040 instructions.

On Form 1040A for 1985 and 1986, use lines 21a and 21b. For 1987 use line 19. For 1988 use line 21.

Line 11

Include other taxes, such as tax from recapture of investment credit, alternative minimum tax, self-employment tax, advance earned income credit payments, or, for 1988, recapture of low-income housing credit. On Form 1040 for 1985, use lines 51–55. For 1986 use lines 50–54. For 1987 and 1988, use lines 48–52. Be sure to include any write-in tax. For more details, see your Form 1040 instructions.

On Form 1040A, use advance earned income credit (EIC) payments received.

Lines 13–17

Enter on the applicable lines your payments and credits. On Form 1040 for 1985, use lines 57–63. For 1986 use lines 56–62. For 1987 and 1988, use lines 54–60. Also include the amount of any overpaid windfall profit tax on line 16 of Form 1040X and write on the dotted line "OWPT."

On Form 1040A for 1985 and 1986, use lines 24a and 24b. For 1987 use lines 21a and 21b. For 1988 use lines 23a and 23b.

On Form 1040EZ use line 8.

Line 13

If you change these amounts, attach the first copy or Copy B of all additional or corrected Forms W-2 that you got since you filed your original return.

Line 14

Enter the estimated tax payments you claimed on your return. If you filed Form 1040C, include the amount you paid as the balance due with the return.

Line 18

Enter the amount you paid on the "Balance Due" or "Amount You Owe" reported on your original return. Also include any additional tax that may have resulted if your original return was changed or examined. **Do not include payments of interest or penalties.**

Line 20

Enter the overpayment from your original return. On Form 1040A and Form 1040EZ, it is called "amount of your refund." On Form 1040, it is called "amount overpaid." That amount must be considered in preparing Form 1040X since any refund you have not yet received from your original return will be refunded separately from any additional refund claimed on your Form 1040X. If your original return was changed or audited by IRS and, as a result of the change or audit, there was an additional overpayment of tax, also include that amount on line 20. **Do not** include any interest you received on any refund.

Lines 21–22

Caution: *If line 21 is a minus figure, add it to line 12, column C, instead of subtracting. Enter the result on line 22.*

Attach your check or money order for the full amount you owe. Make it payable to the "Internal Revenue Service." Write your social security number and daytime phone number on it. Also write on your payment the year and type of return you are amending. For example, "1987 Form 1040." We will figure the interest due and send you a bill.

Line 23

If you are entitled to a larger refund than you claimed on your original return, show only the additional amount due you. This will be refunded separately from the amount claimed on your original return (see the instructions for line 20). We will figure the interest and include it in your refund.

Page 2

Part I—Exemptions

If you are claiming more exemptions, complete lines 1–9, as they apply. If you are claiming fewer exemptions, complete lines 1–7.

In column A, enter the number of exemptions claimed on your original return. In column B, enter any changes to exemptions claimed on your original return. Enter in column C the corrected number of exemptions you are claiming.

Line 8

If amending your 1987 or 1988 return to claim an exemption for a dependent who was age 5 or older on December 31 of the year you are amending, you must enter his or her social security number. If you don't or if the number entered is incorrect, you may have to pay a penalty. If your dependent does not have a social security number, see your 1988 Form 1040 or Form 1040A instructions for line 6c.

If claiming more than five additional dependents, show the information requested in columns (a) through (e) on an attached statement. When entering the total number of dependents in the boxes to the right of line 8, be sure to include these dependents.

If claiming a child under the special rules for children of divorced or separated parents, you must either:

- check the box on line 9 if your divorce decree or written separation agreement was in effect before 1985 and it states that you can claim the child as your dependent, **OR**
- attach **Form 8332,** or similar statement. If your divorce decree or separation agreement went into effect after 1984 and it states that you can claim the child as your dependent, you may attach a copy of the following pages from the decree or agreement instead of Form 8332:

1. Cover page (write the other parent's social security number on this page),

2. The page that states you can claim the child as your dependent, and

3. Signature page showing the date of agreement.

For more details, see your 1988 Form 1040 or Form 1040A instructions for line 6c.

Part III—Presidential Election Campaign Fund

You may use Form 1040X to have $1 go to the Presidential Election Campaign Fund if you (or your spouse on a joint return) did not do so on your original return. This must be done within 20 ½ months after the original due date for filing the return. For the calendar year 1988, this period ends on December 31, 1990.

Note: *A "Yes" designation cannot be changed.*

Form **1041-A**
(Rev. June 1988)
Department of the Treasury
Internal Revenue Service

U.S. Information Return

Trust Accumulation of Charitable Amounts

For calendar year 19 . . . .

OMB No. 1545-0094
Expires 6/30/91

Name of trust | **Employer identification number**

Name of trustee

Address of trustee (number and street)

City or town, state, and ZIP code

Part I **Income and Deductions (See the instructions for Form 1041). If total income is $25,000 or less, skip lines 1–8.**

Income	1	Dividends	1		
	2	Interest income	2		
	3	Income (or losses) from partnerships, other estates or other trusts	3		
	4	Net rent and royalty income (or loss) (attach Schedule E (Form 1040))	4		
	5	Net business and farm income (or loss) (attach Schedules C and F (Form 1040))	5		
	6	Capital gain (or loss) (attach Schedule D (Form 1041))	6		
	7	Ordinary gain (or loss) (attach Form 4797)	7		
	8	Other income (state nature of income)	8		
	9	**Total** income (add lines 1 through 8)	9		
Deductions	10	Interest	10		
	11	Taxes	11		
	12	Charitable deduction (itemize by charitable purpose; include payee's name and address) (see instructions)	12		
	13	Trustee fees	13		
	14	Attorney, accountant, and return preparer fees	14		
	15	Other deductions (attach schedule)	15		

Part II **Distributions of Income Set Aside for Charitable Purposes (See instructions.)**

16	Accumulated income set aside in prior tax years for which a deduction was claimed under section 642(c)		16		
17	Income set aside in prior tax years for which a deduction was claimed under section 642(c) and which was distributed during the current tax year (itemize by charitable purpose; include payee's name and address)				
a		17a			
b		17b			
c		17c			
d		17d			
e		17e			
18	Total (add lines 17a through 17e)		18		
19	Balance (subtract line 18 from line 16)		19		
20	Income set aside during the current tax year for which a deduction was claimed under section 642(c) (included in Part I, line 12)		20		
21	Carryover (add lines 19 and 20)		21		

Part III **Distributions of Principal for Charitable Purposes (See instructions.)**

22	Principal distributed in prior tax years for charitable purposes		22		
23	Principal distributed during the current tax year for charitable purposes (itemize by charitable purpose; include payee's name and address)				
a		23a			
b		23b			
c		23c			
d		23d			
e		23e			
24	Total (add lines 23a through 23e)		24		

For Paperwork Reduction Act Notice, see back of form. *If you need more space, attach additional sheets of the same size.* Form **1041-A** (Rev. 6-88)

Part IV **Balance Sheet as of the Beginning of the Tax Year. If line 9 is $25,000 or less, complete only lines 37, 43, and 46.**

Assets			
25 Cash	25		
26 Listed securities	26		
27a Trade notes and accounts receivable	27a		
b Less allowance for bad debts	27b		
28 Inventories	28		
29 Federal and state government obligations	29		
30 Other current assets (list on a separate sheet and attach)	30		
31 Mortgage and real estate loans	31		
32 Other investments (list on a separate sheet and attach)	32		
33a Buildings and other depreciable assets	33a		
b Less accumulated depreciation	33b		
34a Depletable assets	34a		
b Less accumulated depletion	34b		
35 Land (net of any amortization)	35		
36 Other assets (list on a separate sheet and attach)	36		
37 Total assets	37		
Liabilities			
38 Accounts payable	38		
39 Mortgages and notes payable in less than 1 year	39		
40 Other current liabilities (list on a separate sheet and attach)	40		
41 Mortgages and notes payable in 1 year or more	41		
42 Other liabilities (list on a separate sheet and attach)	42		
43 Total liabilities	43		
Net Worth			
44 Trust principal or corpus	44		
45 Undistributed income and profits	45		
46 Total net worth	46		
47 Total liabilities and net worth	47		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than trustee) is based on all information of which preparer has any knowledge.

Signature of trustee or officer representing trustee — Date

Signature of preparer other than trustee — Address — Date

Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Use Form 1041-A to report the charitable information required by section 6034 and the related regulations.

Who Must File.—The trustee must file Form 1041-A for:

- A trust that claims a charitable or other deduction under section 642(c), or
- A split-interest trust described in section 4947(a)(2), including charitable remainder trusts (section 664) and pooled income funds (section 642(c)(5)).

The trustee does not have to file Form 1041-A for:

- A trust that is required to distribute currently to the beneficiaries all the income for the tax year determined under section 643(b) and related regulations.
- A charitable trust described in section 4947(a)(1).
- A split-interest trust described in section 4947(a)(2) if all transfers of corpus to the trust occurred before May 27, 1969, and no section 642(c) deduction is claimed.

When To File.—File Form 1041-A by the 15th day of the 4th month following the close of the calendar year.

Where To File.—Please mail Form 1041-A to the Internal Revenue Service Center below for the state where the trustee lives or has a principal place of business.

Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, Washington	Fresno, CA 93888
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169–171 and 173–196 only), Rhode Island, Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin	Kansas City, MO 64999
District of Columbia, Maryland, Pennsylvania (ZIP codes beginning with 150–168 and 172 only), Virginia, any U.S. possession, or foreign country	Philadelphia, PA 19255

Public Inspection.—See regulations section 301.6104(b)-1(d) for the procedures to request public inspection of this form.

Charitable Purposes

Line 17.—Provide a listing in sufficient detail for each class of activity for which a disbursement was made, and a charitable deduction under section 642(c) was taken.

Such amounts permanently set aside must be earned from amounts transferred to the trust before October 9, 1969.

Do not merely enter the category (i.e., religious, charitable, scientific, literary, or educational), but also enter the purpose of the deduction. For example, "payments of $4,000 to indigent persons for medical purposes," or a "grant of $25,000 to equip the chemistry lab at a university."

Line 23.—Provide a listing in sufficient detail, similar to the examples provided above, for each class of activity for amounts paid out of principal for charitable purposes.

See section 642(c) and the related regulations for more information regarding the allowance deductions for amounts permanently set aside for a charitable purpose.

Penalties.—Section 6652(c)(2) provides for separate penalties of $10 a day, up to a maximum of $5,000, against both the trust and the trustee for not filing Form 1041-A on time, unless there is reasonable cause. The law also provides penalties for filing a false or fraudulent return.

Form **1065**

Department of the Treasury
Internal Revenue Service

U.S. Partnership Return of Income

▶ **For Paperwork Reduction Act Notice, see Form 1065 Instructions.**

For calendar year 1988, or fiscal year beginning _____, 1988, and ending _____, 19___

OMB No. 1545-0099

1988

A Principal business activity

B Principal product or service

C Business code number

Use IRS label. Otherwise, please print or type.

Name

Number and street (or P.O. Box number if mail is not delivered to street address)

City or town, state, and ZIP code

D Employer identification number

E Date business started

F Enter total assets at end of tax year $

G Check accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other

H Check applicable boxes: (1) ☐ Final return (2) ☐ Change in address (3) ☐ Amended return

	Yes	No
I Number of partners in this partnership ▶ _____		
J Is this partnership a limited partnership (see the Instructions)?		
K Are any partners in this partnership also partnerships?		
L Is this partnership a partner in another partnership?		
M Does the partnership meet **all** the requirements shown in the Instructions for **Question M**?		
N Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during the tax year? If "Yes," see the Instructions concerning an election to adjust the basis of the partnership's assets under section 754		
O (1) Does the partnership have any foreign partners?		
(2) If so, were any distributions made to foreign partners during the tax year?		

	Yes	No
P At any time during the tax year, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See the Instructions for exceptions and filing requirements for Form TD F 90-22.1.) If "Yes," write the name of the foreign country. ▶ _____		
Q Was the partnership the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not the partnership or any partner has any beneficial interest in it? If "Yes," you may have to file Form 3520, 3520-A, or 926		

R Check this box if the partnership has filed or is required to file Form 8264, Application for Registration of a Tax Shelter ☐

S Check this box if this is a partnership subject to the consolidated partnership audit procedures of TEFRA. (See the Instructions.) ☐

T Check this box if the partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

Caution: *Include* **only** *trade or business income and expenses on lines 1a–21 below. See the instructions for more information.*

Income	1a Gross receipts or sales $ _____ 1b Minus returns and allowances $ _____ Balance ▶	1c	
	2 Cost of goods sold and/or operations (Schedule A, line 7)	2	
	3 Gross profit (subtract line 2 from line 1c)	3	
	4 Ordinary income (loss) from other partnerships and fiduciaries (attach schedule)	4	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	5	
	6 Net gain (loss) (Form 4797, line 18)	6	
	7 Other income (loss)	7	
	8 **TOTAL** income (loss) (combine lines 3 through 7)	8	
Deductions (see instructions for limitations)	9a Salaries and wages (other than to partners) $ _____ 9b Minus jobs credit $ _____ Balance ▶	9c	
	10 Guaranteed payments to partners	10	
	11 Rent	11	
	12 Deductible interest expense not claimed elsewhere on return (see Instructions)	12	
	13 Taxes	13	
	14 Bad debts	14	
	15 Repairs	15	
	16a Depreciation from Form 4562 (attach Form 4562) $ _____ 16b Minus depreciation claimed on Schedule A and elsewhere on return $ _____ Balance ▶	16c	
	17 Depletion (***Do not deduct oil and gas depletion.***)	17	
	18a Retirement plans, etc.	18a	
	b Employee benefit programs	18b	
	19 Other deductions (attach schedule)	19	
	20 **TOTAL** deductions (add amounts in column for lines 9c through 19)	20	
	21 Ordinary income (loss) from trade or business activity(ies) (subtract line 20 from line 8)	21	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ _____ Signature of general partner ▶ _____ Date

Paid Preparer's Use Only

Preparer's signature ▶ _____ Date _____ Check if self-employed ▶ ☐ Preparer's social security no. _____

Firm's name (or yours if self-employed) and address ▶ _____ E.I. No. ▶ _____ ZIP code ▶ _____

Schedule A Cost of Goods Sold and/or Operations

1	Inventory at beginning of year	1	
2	Purchases minus cost of items withdrawn for personal use	2	
3	Cost of labor	3	
4a	Additional section 263A costs (attach schedule) (see instructions)	4a	
b	Other costs (attach schedule)	4b	
5	Total (add lines 1 through 4b)	5	
6	Inventory at end of year	6	
7	Cost of goods sold (subtract line 6 from line 5). Enter here and on page 1, line 2	7	

8a Check all methods used for valuing closing inventory:

(i) ☐ Cost

(ii) ☐ Lower of cost or market as described in regulations section 1.471-4

(iii) ☐ Writedown of "subnormal" goods as described in regulations section 1.471-2(c)

(iv) ☐ Other (specify method used and attach explanation) ▶

b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

c Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the partnership? ☐ Yes ☐ No

d Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Schedule H Income (Loss) From Rental Real Estate Activity(ies)

1 In the space provided below, show the kind and location of each rental property. Attach a schedule if more space is needed.

Property A

Property B

Property C

Rental Real Estate Income		Properties A	Properties B	Properties C	Totals (Add columns A, B, C, and amounts from any attached schedule)	
2 Gross Income	2				2	
Rental Real Estate Expenses						
3 Advertising	3					
4 Auto and travel	4					
5 Cleaning and maintenance	5					
6 Commissions	6					
7 Insurance	7					
8 Legal and other professional fees	8					
9 Interest expense	9					
10 Repairs	10					
11 Taxes	11					
12 Utilities	12					
13 Wages and salaries	13					
14 Depreciation from Form 4562	14					
15 Other (list)						
16 Total expenses. Add lines 3 through 15	16				16	
17 Net income (loss) from rental real estate activity(ies). Subtract line 16 from line 2. Enter total net income (loss) from all properties on Schedule K, line 2	17				17	

Schedule K **Partners' Shares of Income, Credits, Deductions, etc.**

		(a) Distributive share items			(b) Total amount
Income (Loss)	1	Ordinary income (loss) from trade or business activity(ies) (page 1, line 21)			1
	2	Net income (loss) from rental real estate activity(ies) (Schedule H, line 17)			2
	3a	Gross income from other rental activity(ies)	3a		
	b	Minus expenses (attach schedule)	3b		
	c	Balance: net income (loss) from other rental activity(ies)		▶	3c
	4	Portfolio income (loss) (see instructions):			
	a	Interest income			4a
	b	Dividend income			4b
	c	Royalty income			4c
	d	Net short-term capital gain (loss) (Schedule D, line 4)			4d
	e	Net long-term capital gain (loss) (Schedule D, line 9)			4e
	f	Other portfolio income (loss) (attach schedule)			4f
	5	Guaranteed payments			5
	6	Net gain (loss) under section 1231 (other than due to casualty or theft) (see instructions)			6
	7	Other (attach schedule)			7
Deductions	8	Charitable contributions (attach list)			8
	9	Expense deduction for recovery property (section 179) (attach schedule)			9
	10	Deductions related to portfolio income (do not include investment interest expense)			10
	11	Other (attach schedule)			11
Credits	12a	Credit for income tax withheld			12a
	b	Low-income housing credit: (1) Partnerships to which section 42(j)(5) applies			12b(1)
		(2) Other			12b(2)
	c	Qualified rehabilitation expenditures related to rental real estate activity(ies) (attach schedule)			12c
	d	Credit(s) related to rental real estate activity(ies) other than 12b and 12c (attach schedule)			12d
	e	Credit(s) related to other rental activity(ies) (see instructions) (attach schedule)			12e
	13	Other (attach schedule)			13
Self-Employment	14a	Net earnings (loss) from self-employment			14a
	b	Gross farming or fishing income			14b
	c	Gross nonfarm income			14c
Tax Preference Items	15a	Accelerated depreciation of real property placed in service before 1/1/87			15a
	b	Accelerated depreciation of leased personal property placed in service before 1/1/87			15b
	c	Depreciation adjustment on property placed in service after 12/31/86			15c
	d	Depletion (other than oil and gas)			15d
	e	(1) Gross income from oil, gas, and geothermal properties			15e(1)
		(2) Deductions allocable to oil, gas, and geothermal properties			15e(2)
	f	Other (attach schedule)			15f
Investment Interest	16a	Interest expense on investment debts			16a
	b	(1) Investment income included on lines 4a through 4f, Schedule K			16b(1)
		(2) Investment expenses included on line 10, Schedule K			16b(2)
Foreign Taxes	17a	Type of income ▶			
	b	Foreign country or U.S. possession ▶			
	c	Total gross income from sources outside the U.S. (attach schedule)			17c
	d	Total applicable deductions and losses (attach schedule)			17d
	e	Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued			17e
	f	Reduction in taxes available for credit (attach schedule)			17f
	g	Other (attach schedule)			17g
Other	18a	Total expenditures to which a section 59(e) election may apply (attach schedule)			18a
	b	Attach schedule for other items and amounts not reported above (see instructions)			
Analysis	19a	Total distributive income/payment items (combine lines 1 through 5, above)			19a

b Analysis by type of partner:

	(a) Corporate	(b) Individual		(c) Partnership	(d) Exempt organization	(e) Nominee/Other
		i. active	ii. passive			
1. General partners						
2. Limited partners						

Schedule L **Balance Sheets**

(See the Instructions for Question M Before Completing Schedules L and M.)

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash				
2 Trade notes and accounts receivable				
a Minus allowance for bad debts				
3 Inventories				
4 Federal and state government obligations				
5 Other current assets (attach schedule)				
6 Mortgage and real estate loans				
7 Other investments (attach schedule)				
8 Buildings and other depreciable assets				
a Minus accumulated depreciation				
9 Depletable assets				
a Minus accumulated depletion				
10 Land (net of any amortization)				
11 Intangible assets (amortizable only)				
a Minus accumulated amortization				
12 Other assets (attach schedule)				
13 **TOTAL** assets				
Liabilities and Capital				
14 Accounts payable				
15 Mortgages, notes, bonds payable in less than 1 year				
16 Other current liabilities (attach schedule)				
17 All nonrecourse loans				
18 Mortgages, notes, bonds payable in 1 year or more				
19 Other liabilities (attach schedule)				
20 Partners' capital accounts				
21 **TOTAL** liabilities and capital				

Schedule M **Reconciliation of Partners' Capital Accounts**

(Show reconciliation of each partner's capital account on Schedule K-1 (Form 1065), Question K.)

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Income (loss) from lines 1, 2, 3c, and 4 of Sch. K	(d) Income not included in column (c), plus nontaxable income	(e) Losses not included in column (c), plus unallowable deductions	(f) Withdrawals and distributions	(g) Capital account at end of year

Designation of Tax Matters Partner

The following general partner is hereby designated as the tax matters partner (TMP) for the tax year for which this partnership return is filed:

Name of designated TMP ▶ Identifying number of TMP ▶

Address of designated TMP ▶

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 1065

U.S. Partnership Return of Income

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to IRS
1065	65 hrs., 3 min.	30 hrs., 47 min.	55 hrs., 32 min.	6 hrs., 26 min.
Schedule D (Form 1065)	5 hrs., 1 min.	2 hrs.	4 hrs., 58 min.	48 min.
Schedule K-1 (Form 1065)	26 hrs., 47 min.	10 hrs., 41 min.	25 hrs., 33 min.	4 hrs., 1 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Changes You Should Note

Change to Schedule K-1

Passive activity reporting requirements.—Under the provisions of temporary regulations section 1.469-5T, determinations as to the level of a partner's participation in a partnership activity must be determined by the partner rather than the partnership. Accordingly, Questions A(2) and A(3) from the 1987 version of Schedule K-1 have been deleted. Further, the partnership reporting requirements with respect to section 469 have been substantially modified so as to provide partners with the information that they need in order to correctly apply the rules regarding passive activities. See the instructions under "Passive Activity Limitations" beginning on page 5 of these instructions for more information.

Tax Law Changes

The changes discussed below are a result of the Revenue Act of 1987 ("1987 Act") and the Technical and Miscellaneous Revenue Act of 1988 ("1988 Act").

Accounting Provisions

Election of tax year other than required year.—Under the provisions of section 444, a qualified partnership may elect to have a tax year other than the year required under section 706(b), but only if the deferral period of the tax year elected is not longer than 3 months. This election is made by filing **Form 8716,** Election To Have a Tax Year Other Than a Required Tax Year. However, a partnership may not make or continue an election under section 444 if it is a member of a tiered structure, other than a tiered structure that consists entirely of partnerships or S Corporations (or both) all of which have the same tax year. For a partnership to have a section 444 election in effect, it must make the payments required by section 7519. These payments are computed on the worksheet on page 23 of these instructions.

See section 444 and Form 8716 for more information.

Taxable year of common trust fund.—Under the provisions of section 584 as amended by the 1988 Act, the taxable year of a common trust fund must be the calendar year. This provision is effective for taxable years beginning after December 31, 1987.

Long-term contracts.—Effective for long-term contracts entered into after October 13, 1987, and before June 21, 1988, that are accounted for under the percentage of completion-capitalized cost method, the percentage of items taken into account under the percentage of completion-capitalized cost method has been increased to 70%. For long-term contracts (other than certain residential construction contracts) entered into after June 20, 1988, that are accounted for under the percentage of completion-capitalized cost method, this percentage has been increased to 90%. For more information, see section 460.

Installment sales: Dealer dispositions.—The use of the installment method for reporting income from dealer dispositions has been repealed for dispositions occurring after December 31, 1987. Further, the amount of any gain from an installment obligation arising from a dealer disposition after February 28, 1986, but before January 1, 1988, that remains to be recognized as of the first day of the first taxable year beginning after December 31, 1987, must be treated as a section 481(a) adjustment. A dealer disposition is: (1) any disposition of personal property by a person who regularly sells or otherwise disposes of property on the installment plan, and (2) any disposition of real property that is held by the seller for sale to customers in the ordinary course of the seller's trade or business. See the instructions for line 1a for more information. See section 453 for details and exceptions.

Installment sales: Nondealer dispositions.—The proportionate disallowance provision related to the sale of nonfarm real property used in a business or rental activity if the sales price exceeds $150,000 has been repealed. However, to the extent that the amount of deferred payments from all dispositions of such real property during any tax year beginning after December 31, 1987, exceeds $5 million, an interest charge is imposed on the deferred tax. In addition, if any indebtedness is secured directly by an installment obligation that arises out of the disposition of such property, the net proceeds of the secured obligation will be treated as a payment on the installment obligation. This rule applies to any nondealer real property installment obligation that is pledged after December 17, 1987, in taxable years ending after that date.

The 1988 Act has extended the above rule so that it applies to nondealer dispositions of any property after December 31, 1988, where the sales price of the property exceeds $150,000, and the amount of deferred payments from all such dispositions exceeds $5 million.

See section 453A for details.

Vacation pay.—The special election that allowed accrual method taxpayers a deduction for additions to a reserve for vacation pay has been repealed. Generally, the amount now allowed as a deduction for vacation pay is limited to the amount of vacation pay earned during the year to the extent it is paid during the year or vested at the end of the year and paid within 2½ months after the end of the year.

The change from the reserve method is treated as a change in method of accounting initiated by the taxpayer and made with IRS consent. The net amount of the adjustment required by the change in accounting method equals the excess of (1) the amount in the reserve at the end of the year preceding the year of change over (2) the amount accrued at the end of the year preceding the year of change and paid within 2½ months after the close of that year. The net amount of the adjustment reduced by the balance in the suspense account under section 463(a) must be included in income as follows: 25% for the year of change, 5% in the 1st year after the year of change, 35% for the 2nd year after the year of change, and 35% in the 3rd year after the year of change. However, if Revenue Procedure 84-74, 1984-2 C.B. 736, requires the adjustment to be taken into account over a period of less than 4 years, the adjustment is to be included in income ratably over the shorter period. See 1987 Act section 10201 for more information.

Capitalization of past service pension costs.—Contributions to a pension or annuity plan representing past service costs are now subject to the uniform capitalization rules of section 263A or the long-term contract rules of section 460. Thus, an allocable share of all otherwise allowable pension costs, whether they relate to current or past services, must be included in the basis of property produced or held for resale, including property the taxpayer produces under a long-term contract. This change in law is effective for costs incurred after 1987 for property (other than inventory) produced by the

taxpayer, including costs allocable to long-term contracts under section 460. For inventory costs, the change is effective for tax years beginning after 1987, and is treated as a change in method of accounting initiated by the taxpayer and made with IRS consent. Any adjustment required under section 481(a) must be included in income over a period not to exceed 4 years.

Publicly Traded Partnerships

The 1987 Act added new code section 7704 and amended existing code sections 469 and 512 with respect to publicly traded partnerships. For purposes of these code sections, a publicly traded partnership is defined as a partnership whose interests are: (1) traded on an established securities market, or (2) readily tradable on a secondary market (or the substantial equivalent thereof).

Certain publicly traded partnerships treated as corporations.—New section 7704 provides that a publicly traded partnership will be treated as a corporation unless 90 percent or more of its gross income consists of qualifying passive income. A publicly traded partnership treated as a corporation under section 7704 will file **Form 1120,** U.S. Corporation Income Tax Return. Such a partnership will be treated as having contributed all of its assets (subject to all of its liabilities) to a newly formed corporation in exchange for all of the corporation's stock. Generally, sections 351, 731, and 732 will govern the tax consequences of this deemed exchange to the partnership, the corporation, and the partners who become shareholders in the new corporation.

Exceptions from the application of these rules are provided for certain partnerships in existence as of December 17, 1987, and for certain publicly traded partnerships registered under the Investment Company Act of 1940. See section 7704 and Notice 88-75, 1988-27 I.R.B. 29, for more information.

Treatment of a publicly traded partnership under the passive loss rule.—The 1987 Act also amended section 469 to provide that the provisions of section 469 apply separately with respect to items (other than the low-income housing credit and the rehabilitation investment credit) attributable to each publicly traded partnership. Thus, a net loss from passive activities held through a publicly traded partnership is not allowed against passive income from other sources. Instead, a net loss from passive activities held through a publicly traded partnership is suspended and carried forward to be applied against net income from passive activities held through the same partnership in subsequent years. If the partner's entire interest in the partnership is completely disposed of, any unused losses from passive activities may be allowed in the year of disposition.

A partner in a publicly traded partnership is allowed the $25,000 of deduction equivalent credits with respect to the low-income housing credit and the rehabilitation investment credit. Such credits are allowable only to the extent that the partner has not fully utilized the allowance with respect to losses and credits from passive activities otherwise allowed under section 469.

The amendments to section 469 with respect to publicly traded partnerships are effective for tax years beginning after December 31, 1986. See section 469(k) and Notice 88-75 for more information.

Note: *A partner's net passive income from a publicly traded partnership is investment income for purposes of section 163(d).*

Treatment of publicly traded partnership for unrelated business tax.—The 1987 Act amended section 512 to provide that a tax-exempt organization's share (whether or not distributed) of the gross income of a publicly traded partnership (that is not treated as a corporation under section 7704) is treated as gross income from an unrelated trade or business. The organization's share of partnership deductions is allowable in computing the organization's unrelated business income.

The amendments to section 512 are effective with respect to partnership interests acquired after December 17, 1987. See section 512(c) and Notice 88-75 for more information.

Reminders

- Use the preaddressed label and envelope that comes with the tax package to help speed the processing of the partnership return.
- Do not deduct depletion on oil and gas wells on the partnership return. Instead, pass through to the partners on Schedule K-1 the information needed to compute this deduction. The partners will determine the deductible amount on their own returns.
- Special rules apply to situations in which a partner is deemed to be engaging in a transaction with a partnership other than in the partner's capacity as a member of the partnership. For additional information, see **Pub. 541**, Tax Information on Partnerships.
- Partnerships in several states will be filing their returns at a different service center this year. Use the envelope that came with your return or see the instructions for "Where To File."

Registration of Tax Shelters

If the partnership is a tax shelter, is involved in a tax shelter, is considered to be the organizer of a tax shelter, or is an entity through which tax shelter benefits are passed, there are reporting requirements under section 6111 for both the partnership and its partners. See **Form 8264**, Application for Registration of a Tax Shelter, and **Form 8271**, Investor Reporting of Tax Shelter Registration Number, and their related instructions for more information.

Purpose of Form

Form 1065 is used to report the income, deductions, gains, losses, etc., from the operation of a partnership. Form 1065 for 1988 is an information return for the calendar year 1988 or other fiscal year beginning in 1988. However, if the partnership has a tax year of less than 12 months that begins and ends in 1989, and the 1989 Form 1065 is not available by the time the partnership is required to file its return, the partnership may use the 1988 form. The partnership must show its 1989 tax year on the 1988 Form 1065 and incorporate any tax law changes that are effective for tax years beginning after December 31, 1988.

Who Must File

Every partnership that engages in a trade or business or has income from sources in the United States must file Form 1065. A partnership must file even if its principal place of business is outside the United States or all its members are nonresident aliens.

Religious and apostolic organizations that are exempt from income tax under section 501(d) must file Form 1065.

A qualifying syndicate, pool, joint venture, or similar organization may elect under section 761(a) to not be treated as a partnership for Federal income tax purposes and will not be required to file Form 1065 except for the year of election. See section 761(a) and Publication 541 for more information.

Real estate mortgage investment conduits (REMICs) should file Form 1066. Publicly traded partnerships treated as corporations under section 7704 should file Form 1120.

Note: *If a partnership return is filed by an entity for a tax year, but it is determined that the entity is not a partnership for that tax year, sections 6221 through 6233 will apply to that entity and to persons holding an interest in that entity. See section 6233 for more information.*

When To File

Generally, a domestic partnership must file Form 1065 by the 15th day of the 4th month following the close of its tax year. A partnership whose partners are all nonresident aliens must file its return by the 15th day of the 6th month following the close of its tax year.

If you need more time to file a partnership return, file **Form 8736,** Application for an Automatic Extension of Time to File a Return for a U.S. Partnership or for Certain Trusts, for an automatic 3-month extension. File Form 8736 by the regular due date of the partnership return.

After you have filed Form 8736, if more time is needed to prepare the partnership return, file **Form 8800,** Application for an Additional Extension of Time to File a Return for a U.S. Partnership or for Certain Trusts, for an additional extension of up to 3 months. To obtain this additional extension of time to file, you must show reasonable cause for the additional time that you are requesting. Form 8800 must be filed before the extended due date of the partnership return.

Where To File

Use the addressed envelope that came with the return. If you do not use the envelope, file your return at the applicable Internal Revenue Service Center listed below.

A partnership without a principal office or agency or principal place of business in the United States must file its return with the Internal Revenue Service Center, Philadelphia, PA 19255.

If the partnership's principal place of business or principal office or agency is located in ▼	Use the following address ▼
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Florida, Georgia, South Carolina	Atlanta, GA 39901
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255

Electronic Filing of Form 1065.—Qualified tax return filers can file Form 1065 and related schedules via electronic transmission or approved magnetic tape. If the partnership files its return electronically or on magnetic tape, it must also file **Form 8453-P**, Partnership Declaration for Magnetic Media/Electronic Filing. See Revenue Procedure 87-34, 1987-2 C.B. 404, for more information.

Penalty

A penalty is assessed against the partnership if it is required to file a partnership return and it: (1) fails to file the return on time, including extensions, or (2) files a return that fails to show all the information required, unless such failure is due to reasonable cause. The amount of the penalty is $50 for each month or fraction of a month (for a maximum of 5 months) the failure continues multiplied by the total number of persons who were partners in the partnership during any part of the partnership's tax year for which the return is due. This penalty will not be imposed on certain small partnerships if they meet the requirements in Revenue Procedure 84-35, 1984-1 C.B. 509.

Family-farm partnerships, family-owned wholesale or retail store partnerships, co-owners of investment property, etc., may not have to complete Schedules L and M. See the instructions on page 8 for Question M before completing Schedules L and M.

The penalty for each failure to furnish copies of Schedule K-1 to partners is $50. If a Schedule K-1 does not include all of the information required to be shown or includes incorrect information, an additional penalty may be imposed. See sections 6722 and 6723 for more information.

General Information

Note: *In addition to the publications listed throughout these instructions, you may wish to get:* ***Pub. 334****, Tax Guide for Small Business;* ***Pub. 535****, Business Expenses;* ***Pub. 536****, Net Operating Losses;* ***Pub. 541****, Tax Information on Partnerships;* ***Pub. 550****, Investment Income and Expenses; and* ***Pub. 556****, Examination of Returns, Appeal Rights, and Claims for Refund.*

Unresolved Tax Problems

IRS has a Problem Resolution Program for taxpayers who have been unable to resolve a problem with the IRS. If the partnership has such a problem, write to the partnership's local IRS District Director or call the partnership's local IRS office and ask for Problem Resolution assistance. This office will take responsibility for your problem and ensure that it receives proper attention. Although the Problem Resolution Office cannot change the tax law or make technical decisions, it can frequently clear up misunderstandings that resulted from previous contacts.

Accounting Methods

Figure ordinary income by the accounting method regularly used in maintaining the partnership's books and records. Generally, permissible methods include the cash method, the accrual method, or any other method authorized by the Internal Revenue Code. The method used must clearly reflect income. (See section 446.) Unless otherwise allowed by law, the partnership may not change the accounting method used to report income in earlier years (for income as a whole or for any material item) without first getting consent on **Form 3115**, Application for Change in Accounting Method. See Pub. 538 for more information.

Generally, an accrual basis taxpayer can deduct accrued expenses in the tax year that all events have occurred that determine the liability, the amount of the liability can be determined with reasonable accuracy, and economic performance takes place with respect to the expense. There are exceptions for recurring items.

Tax Years

Under the provisions of section 706(b)(1), a partnership is generally required to have one of the following tax years:

(1) the tax year of a majority of its partners; or

(2) if there is no majority tax year, then the tax year of all of the partnership's principal partners (those partners with an interest of 5% or more in the partnership profits or capital); or

(3) if there is neither a majority tax year nor a tax year common to all principal partners, then the taxable year that results in the least aggregate deferral of income (see temporary regulations section 1.706-1T); or

(4) some other tax year, if: (i) the partnership can establish to the satisfaction of the IRS that there is a business purpose for the fiscal year; or (ii) the fiscal year is a "grandfathered" year; or (iii) the partnership elects under section 444 to have a fiscal year and to make the payments required by section 7519.

A business purpose for a fiscal tax year may be established by showing that the requested tax year is the natural business year of the partnership. Revenue Procedure 87-32, 1987-2 C.B. 396, provides a 25% test for determining whether or not a given fiscal year is a natural business year. Under the 25% test, the gross receipts for the last 2 months of the requested fiscal year are divided by the gross receipts for the 12-month period that ends with the last month of the requested fiscal year. The same computation is also made with regard to the 2 immediately preceding 12-month periods. Generally, if the result of each of these three computations equals or exceeds 25%, then the requested fiscal year is the partnership's natural business year.

Revenue Procedure 87-32 also provides that certain "grandfathered" fiscal years may be retained. Generally, under this provision a fiscal year may be retained if a partnership previously received permission under Revenue Procedure 74-33, 1974-2 C.B. 489 to use a fiscal year (other than a fiscal year that resulted in a 3-month or less deferral of income).

A qualifying partnership may elect under section 444 to have a taxable year other than the year required under section 706(b) by filing Form 8716. An election under section 444 may be made only if the deferral period of the tax year elected is not longer than 3 months. Further, a partnership that is a member of a tiered structure, other than a tiered structure that consists entirely of partnerships or S Corporations (or both), all of which have the same tax year, may not make or continue an election under section 444.

For a partnership to have an election under section 444 in effect, it must complete the worksheet on page 23 of these instructions and make the payments required by section 7519.

Rounding Off to Whole-Dollar Amounts

You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Recordkeeping

The partnership records must be kept as long as their contents may be material in the administration of any Internal Revenue law. Copies of the filed tax returns should also be kept as part of the partnership's records. Please see **Pub. 583**, Information for Business Taxpayers, for more information.

Amended Return

If, after the partnership files its return, it later becomes aware of any changes it must make to income, deductions, credits, etc., it should file an amended Form 1065 and an amended Schedule K-1 for each partner. Check the box at Question H(3), page 1, Form 1065. Give a corrected Schedule K-1 (Form 1065) to each partner. Be sure to

check the box in Item J of each Schedule K-1 to indicate that it is an amended Schedule K-1.

Note: *If a partnership does not meet the small partnership exception under section 6231 or if it is a small partnership which has made the election described in section 6231(a)(1)(B)(ii), the amended return will be a request for administrative adjustment and* ***Form 8082****, Notice of Inconsistent Treatment or Amended Return, must be filed by the Tax Matters Partner. See section 6227 for more information.*

A change to the partnership's Federal return may affect its state return. This includes changes made as a result of an examination of the partnership return by the IRS. Contact the state tax agency for the state in which the partnership return is filed for more information.

Information Returns That May Be Required

Form 1096, Annual Summary and Transmittal of U.S. Information Returns, is used to summarize and transmit information returns to the Internal Revenue Service Center.

Form 1098, Mortgage Interest Statement, is used to report the receipt from any individual of $600 or more of mortgage interest in the course of the partnership's trade or business.

Forms 1099-A, B, INT, MISC, OID, R, and S. You may have to file these information returns to report abandonments and acquisitions through foreclosure, proceeds from broker and barter exchange transactions, interest payments, medical and dental health care payments, miscellaneous income, original issue discount, real estate transactions, and total distributions from profit-sharing plans, retirement plans, and individual retirement arrangements. Also, use these returns to report amounts that were received as a nominee on behalf of another person.

For more information about filing these and other information returns, see **Pub. 916,** Information Returns, and the Instructions for Forms 1099, 1098, 5498, 1096, and W-2G.

Note: *Every partnership must file information returns if it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling $600 or more to any one individual, partnership, or other noncorporate entity in the course of its trade or business during the calendar year.*

Form 5713, International Boycott Report, is used by persons having operations in or related to "boycotting" countries. The partnership must give each partner a copy of the Form 5713 filed by the partnership if there has been participation in, or cooperation with, an international boycott.

Form 5471, Information Return With Respect to a Foreign Corporation. U.S. partnerships that have an interest in a foreign corporation may be required to file Form 5471.

Form 6248, Annual Information Return of Windfall Profit Tax.

Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business, is used to report the receipt of more than $10,000 in cash or foreign currency in one transaction (or a series of related transactions).

Form 8594, Asset Acquisition Statement, is to be filed by both the purchaser and seller of a group of assets constituting a trade or business if goodwill or a going concern value attaches, or could attach, to such assets and if the purchaser's basis in the assets is determined only by the amount paid for the assets.

Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Use this form to figure the interest due or to be refunded under the look-back method of section 460(b)(3) on long-term contracts entered into after February 28, 1986, that are accounted for under either the percentage of completion-capitalized cost method or the percentage of completion method.

Attachments

If you need more space on the forms or schedules, attach separate sheets. Use the same arrangement as the printed forms. **Show the totals on the printed forms.** Put the partnership's name and employer identification number on each sheet. Also, be sure that each separate sheet clearly indicates the line or section on the printed form to which the information relates.

To assist us in processing the return, we ask that you complete every applicable entry space on Form 1065. Please do not attach statements and write "See attached" in lieu of completing the entry spaces on the form.

Definitions

Partnership. A partnership is the relationship between two or more persons who join together to carry on a trade or business, with each person contributing money, property, labor, or skill and each expecting to share in the profits and losses of the business whether or not a formal partnership agreement is made.

The term "partnership" includes a limited partnership, syndicate, group, pool, joint venture, or other unincorporated organization, through or by which any business, financial operation, or venture is carried on, that is not, within the meaning of the Internal Revenue Code, a corporation, trust, estate, or sole proprietorship. If an organization more nearly resembles a corporation than a partnership or trust, it is considered to be a corporation.

A joint undertaking merely to share expenses is not a partnership. Mere co-ownership of property that is maintained and leased or rented is not a partnership. However, if the co-owners provide services to the tenants, a partnership exists.

See Pub. 541 for more information.

General Partner. A general partner is a partner who is personally liable for obligations of the partnership.

Limited Partner. A limited partner is a partner whose personal liability for partnership debts is limited to the amount of money or other property that the partner contributed or is required to contribute to the partnership.

Limited Partnership. A limited partnership is a partnership composed of at least one general partner and one or more limited partners.

Nonrecourse Loans. Nonrecourse loans are those liabilities of the partnership for which none of the partners has any personal liability.

Section 702(a) Items

Under section 702(a), the partners are required to take into account separately their distributive shares of the following items (whether or not they are actually distributed):

1. Gains and losses from sales or exchanges of capital assets;
2. Gains and losses from sales or exchanges of property described in section 1231;
3. Charitable contributions (as defined in section 170(c));
4. Dividends (passed through to corporate partners) that are eligible for a special deduction (sections 241 through 250);
5. Taxes described in section 901 paid or accrued to foreign countries and to possessions of the United States;
6. Other items of income, gain, loss, deduction, or credit, to the extent provided by regulations. Examples of such items include nonbusiness expenses described in section 212, intangible drilling and development costs (section 263(c)), and soil and water conservation expenditures (section 175). (See the instructions for Schedules K and K-1 later in these instructions for a more detailed list); and
7. Taxable income or loss (ordinary income or loss) exclusive of items 1 through 6 above.

Elections

Generally, the partnership decides how to figure taxable income from its operations. For example, it chooses the accounting method and depreciation methods it will use. The partnership also makes the elections under the following sections:

- The election under Section 1033 to not recognize certain reinvested gain when property is compulsorily or involuntarily converted into money or into property that is not similar or related in use or service.
- The election under section 614 with respect to oil and gas wells or geothermal deposits to treat more than one operating mineral interest in a single tract or parcel of land as separate properties. The partnership must make the section 614 election before the partners compute their individual depletion allowances under section 613A(c)(7)(D). See Revenue Ruling 84-142, 1984-2 C.B. 117. See the instructions for Schedules K and K-1, line 18b, item c, for the information on oil and gas depletion that must be supplied to the partners by the partnership.
- The election under Section 754 under which a partnership may elect to adjust: (a) the basis of its remaining assets when assets distributed to a partner have increased or decreased in value; (b) a new partner's share of the basis of partnership assets to reflect the purchase price paid by a new partner for the new partner's interest; or (c) an estate's or other beneficiary's share of the basis of partnership assets to reflect a change in the basis of a partnership interest on the death of a partner. See regulations section 1.754-1(b) and the instructions for Question N for more information.

• The election under Section 179 to expense the cost of certain depreciable property. The partnership passes this amount through to the partners. See Form 4562 for more information.

Information about other elections may be found under the applicable sections of Chapter 1 of the Code and the Income Tax Regulations.

Elections under the following Code sections are made by each partner separately on the partner's tax return:

• Section 108 (income from discharge of indebtedness);

• Section 617 (deduction and recapture of certain mining exploration expenditures paid or incurred); and

• Section 901 (foreign tax credit).

In addition, individual partners (including estates and trusts) may make an election under section 59(e) to deduct ratably, over the period specified in that section, certain qualified expenditures such as intangible drilling costs, mining exploration expenses, or research and experimental expenditures. See the instructions for Schedules K and K-1, line 18a, for more information.

Distribution of Unrealized Receivables and Inventory Items

If a partnership distributes unrealized receivables or substantially appreciated inventory items in exchange for all or part of a partner's interest in other partnership property (including money), treat the transaction as a sale or exchange between the partner and the partnership. Treat the partnership gain (loss) as ordinary income (loss). Allocate the income (loss) only to partners (other than the distributee partner) who will take this amount into account separately under section 702(a)(7).

If a partnership gives other property (including money) for all or part of that partner's interest in the partnership's unrealized receivables or substantially appreciated inventory items, treat the transaction as a sale or exchange of the property. See section 751 and the related regulations for definitions of unrealized receivables and substantially appreciated inventory items.

Generally, if a partner sells or exchanges a partnership interest where unrealized receivables or substantially appreciated inventory items are involved, the transferor partner must notify the partnership, in writing, within 30 days of the exchange. See **Form 8308,** Report of Sale or Exchange of Certain Partnership Interests, for the types of unrealized receivables involved.

Note: *The transferor in a section 751(a) exchange does not have to notify the partnership of the exchange if, under section 6045, Form 1099-B is required to be filed with respect to the sale or exchange. See Form 8308 for more information.*

See Revenue Ruling 84-102, 1984-2 C.B. 119, for information on the tax consequences that result when a new partner joins a partnership that has liabilities and unrealized receivables. Also, see section 6050K and Pub. 541 for more information.

Furthermore, see section 751(f) for special rules for section 751 exchanges in the case of tiered partnerships.

Net Operating Loss Deduction

A partnership is not allowed the deduction for net operating losses.

Contributions to the Partnership

Generally, no gain (loss) is recognized to the partnership or any of the partners when property is given to the partnership in exchange for an interest in the partnership. This rule does not apply to any gain realized on a transfer of property to a partnership that would be treated as an investment company (within the meaning of section 351) if the partnership were incorporated. If, as a result of a transfer of property to a partnership, there is a direct or indirect transfer of money or other property to the transferring partner, gain may have to be recognized on the exchange.

The basis to the partnership of property contributed by a partner is the adjusted basis in the hands of the partner at the time it was given, plus any gain recognized (under section 721(b)) by the partner at that time. See section 723 for more information.

Notes: *See section 704(c) for the rules regarding partnership allocations with respect to contributed property.*

If a partner contributed unrealized receivables, inventory items, or capital loss property to the partnership, see section 724.

Payments Subject to Withholding at Source

Under the provisions of sections 1441 through 1446, partnerships may be required to withhold tax with respect to partners that are nonresident aliens, foreign partnerships, or foreign corporations.

If the partnership has any nonresident alien individuals, foreign partnerships, or foreign corporations as partners, and the partnership has items which constitute gross income from sources within the United States (see sections 638 and 861 through 864), see **Form 1042,** Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

Form 8288, U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests, is used by the partnership to transmit the withholding on the sale of U.S. real property by foreign persons. At the same time Form 8288 is completed, an information return, **Form 8288-A**, Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests, is attached and sent to the IRS. In certain circumstances, the transferee or the transferor may file **Form 8288-B,** Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests, to apply for a withholding certificate to reduce or eliminate withholding under section 1445. See section 1445 and related regulations for details.

As a result of the amendment of section 1446 by the 1988 Act, if a partnership has income that is effectively connected with a trade or business in the U.S. on or after January 1, 1988, it is generally required to make quarterly payments of tax based on the amount of effectively connected income of the partnership that is includable in the taxable income of each foreign partner. Quarterly payments for 1988 and thereafter are to be made at a time and in a manner to be announced by the Service. The partnership is required to file **Form 8804,** Partnerships Subject to Section 1446 Withholding, and **Form 8805,** Foreign Person's U.S. Source Income Subject to Section 1446 Withholding. The Service expects that these forms will be available in early 1989 and will issue an announcement regarding their availability early in the year.

See section 1446, as amended, for more information.

Windfall Profit Tax

Do not enter any windfall profit tax or any overpayment of windfall profit tax on Form 1065, page 1, or on any of the numbered lines on Schedules K or K-1. Generally, the partnership will notify each partner on **Form 6248,** Annual Information Return of Windfall Profit Tax, of any income tax deduction for windfall profit tax. Each partner determines if he or she is entitled to a refund of overpaid windfall profit tax and files **Form 6249,** Computation of Overpaid Windfall Profit Tax, to obtain a refund.

However, if the partnership elects to be treated as authorized to act on behalf of the partners, the regulations under section 6232 apply. If a partnership makes this election, it must file **Form 843**, Claim, to receive the credit or refund.

Include the partners' tax deduction for the partnership's tax year in column (e) of Schedule M. If the partnership files on a fiscal year basis, the amount entered will not be the same as the amount shown on the Form 6248 that the partnership gives to each partner. Enter each partner's share in column (e) of Question K on Schedule K-1.

Include any overpayment of windfall profit tax the partnership received and of which it notified the partners in column (d) of Schedule M. Enter each partner's share in column (d) of Question K on Schedule K-1.

Note: *The windfall profit tax will not apply to crude oil removed after August 22, 1988.*

Passive Activity Limitations

In general section 469 limits the amount of losses, deductions, and credits that partners may claim from "passive activities." Generally, passive activities include: (a) activities that involve the conduct of a trade or business if the partner does not materially participate in the activity; and (b) all activities involving the rental of real or personal tangible property (see definition below), regardless of how much or how little the partner participates. The level of each partner's participation in an activity must be determined by the partner.

The passive activity rules provide that losses and credits from passive activities can generally be applied only against income and tax from passive activities. Thus, passive losses and credits cannot be applied against income from salaries, wages, professional fees, or a business in which the taxpayer materially participates; against "portfolio income" (see definition below); or against the tax related to any of these types of income.

Special provisions apply with respect to certain activities. First, the passive activity limitations must be applied separately with respect to a net loss from passive activities held through a publicly traded partnership.

Second, special transitional rules apply to losses with respect to partnership interests acquired and activities commenced before October 23, 1986, and with respect to losses incurred by investors in qualified low-income housing projects. Third, special rules require that net income from certain activities that would otherwise be treated as passive income must be recharacterized as nonpassive income for purposes of the passive activity limitations.

The passive activity limitations do not apply to the partnership. Instead, they apply to each partner's share of any income or loss and credit attributable to a passive activity. Because the treatment of each partner's share of partnership income or loss and credit depends upon the nature of the activity that generated it, the partnership must report income or loss and credits separately for each of the following types of activities and income: trade or business activities, rental real estate activities, rental activities other than rental real estate, and portfolio income. For definitions of each type of activity or income, see "Types of activities and income." For details regarding the special reporting requirements for passive activities, see "Passive Activity Reporting Requirements."

Types of Activities and Income

1. Trade or business activities.—A trade or business activity is an activity that involves the conduct of a trade or business within the meaning of section 162.

If the partner does not materially participate in the activity, a trade or business activity held through a partnership is a passive activity of the partner. There is an exception to these rules for working interests in oil and gas wells. The passive activity limitations do not apply to partners holding a working interest in any oil or gas well where the partner holds the interest through an entity that does not limit the partner's liability. See temporary regulations section 1.469-1T(e)(4) for more information.

The determination as to whether or not a partner materially participated in an activity must be made by each partner. As a result, while the partnership's overall trade or business income (loss) is reported on page 1 of Form 1065, the specific income and deductions from each separate trade or business activity must be reported on attachments to Form 1065. Similarly, while each partner's allocable share of the partnership's overall trade or business income (loss) is reported on line 1 of Schedule K-1, each partner's allocable share of the income and deductions from each trade or business activity must be reported on attachments to each Schedule K-1. See "Passive activity reporting requirements," below, for more information.

2. Rental activities.—In reporting the partnership's income or losses and credits from rental activities, the partnership must separately report (a) rental real estate activities and (b) rental activities other than rental real estate activities.

Definition of rental activities.—Generally, except as noted below, if the gross income from an activity consists of amounts paid principally for the use of real or personal tangible property held by the partnership, the activity is a rental activity. There are several exceptions to this general rule. Under these exceptions, an activity involving the use of real or personal tangible property is not a rental activity if: (a) the average period of customer use (see definition below) for such property is 7 days or less; (b) the average period of customer use for such property is 30 days or less and significant personal services (see definition below) are provided by or on behalf of the partnership; (c) extraordinary personal services (see definition below) are provided by or on behalf of the partnership; (d) the rental of such property is treated as incidental to a nonrental activity of the partnership under temporary regulations section 1.469-1T(e)(3)(vi); or (e) the partnership customarily makes the property available during defined business hours for nonexclusive use by various customers.

In addition, if a partnership owns an interest in a partnership or joint venture that conducts a nonrental activity, and the partnership provides property for use in that nonrental activity in the partnership's capacity as an owner of an interest in the partnership or joint venture, the provision of the property is not a rental activity. Consequently, the partnership's distributive share of income from the activity is not income from a rental activity. A guaranteed payment described in section 707(c) is not income from a rental activity under any circumstances. Whether the partnership provides property used in an activity of another partnership or of a joint venture in the partnership's capacity as an owner of an interest in the partnership or joint venture is determined on the basis of all of the facts and circumstances.

Average period of customer use.—The average period of customer use is computed by dividing the total number of days in all rental periods by the number of rentals during the tax year.

Significant personal services.—Personal services include only services performed by individuals. In determining whether personal services are significant personal services, all of the relevant facts and circumstances are taken into consideration. Relevant facts and circumstances include the frequency that the services are provided, the type and amount of labor required to perform the services, and the value of the services in relation to the amount charged for the use of the property. The following services are excluded from consideration in determining whether personal services are significant: (a) services necessary to permit the lawful use of the rental property; (b) services performed in connection with improvements or repairs to the rental property that extend the useful life of the property substantially beyond the average rental period; (c) services provided in connection with the use of any improved real property that are similar to those commonly provided in connection with long-term rentals of high-grade commercial or residential property (e.g. cleaning and maintenance of common areas, routine repairs, trash collection, elevator service, and security at entrances).

Extraordinary personal services.—Services provided in connection with making rental property available for customer use are extraordinary personal services only if the services are performed by individuals and the customers' use of the rental property is incidental to their receipt of the services. For example, a patient's use of a hospital room generally is incidental to the care received from the hospital's medical staff. Similarly, a student's use of a dormitory room in a boarding school is incidental to the personal services provided by the school's teaching staff.

Rental activity incidental to a nonrental activity.—An activity is not a rental activity if the rental of the property is incidental to a nonrental activity, such as the activity of holding property for investment, a trade or business activity, or the activity of dealing in property.

Rental of property is incidental to an activity of holding property for investment if the main purpose for holding the property is to realize a gain from the appreciation of the property and the gross rental income from such property for the taxable year is less than either the smaller of 2 percent of the unadjusted basis of the property or 2 percent of the fair market value of the property.

Rental of property is incidental to a trade or business activity if: (a) the partnership owns an interest in the trade or business at all times during the year; and (b) the rental property was mainly used in the trade or business activity during the tax year or during at least two of the five preceding tax years; and (c) the gross rental income from the property for the taxable year is less than the smaller of 2 percent of the unadjusted basis of the property or 2 percent of the fair market value of the property.

The sale or exchange of property that is both rented and sold or exchanged during the tax year (where the gain or loss is recognized) is treated as incidental to the activity of dealing in property if, at the time of the sale or exchange, the property was held primarily for sale to customers in the ordinary course of the partnership's trade or business.

See temporary regulations section 1.469-1T(e)(3) for more information on the definition of rental activities for purposes of the passive activity limitations.

2(a). Rental real estate activities.—Generally, a rental real estate activity is a rental activity that involves the renting or leasing of real property.

Partners who actively participate in a rental real estate activity may be able to deduct part or all of their rental real estate losses (and the deduction equivalent of rental real estate credits) against income (or tax) from nonpassive activities. The combined amount of rental real estate losses and the deduction equivalent of rental real estate credits from all sources (including rental real estate activities not held through the partnership) that may be claimed is limited to $25,000. This $25,000 amount is reduced for high income partners.

Special transitional rules apply to investors in qualified low-income housing projects. See section 502 of the 1986 Act and **Pub. 925,** Passive Activity and At-Risk Rules, for more information.

Rental real estate activity income (loss) is reported on Schedule H and line 2 of Schedules K and K-1 rather than on page 1 of Form 1065.

Credits related to rental real estate activities are reported on lines 12c and 12d of Schedules K and K-1. Low-income housing credits are reported on line 12b of Schedules K and K-1.

2(b). Rental activities other than rental real estate activities.—Generally, such activities involve the renting or leasing of tangible property other than real estate.

Income (loss) from rental activities other than rental real estate is reported on line 3 of Schedules K and K-1. Credits related to rental activities other than rental real estate are reported on line 12e of Schedules K and K-1.

3. Portfolio income.—Generally, portfolio income includes all gross income, other than income derived in the ordinary course of a trade or business, that is attributable to: interest; dividends; royalties; income from a real estate investment trust, a regulated investment company, a real estate mortgage investment conduit, a common trust fund, a controlled foreign corporation, a qualified electing fund, or a cooperative; income from the disposition of property that produces income of a type defined as portfolio income; and income from the disposition of property held for investment.

For purposes of the above definitions, gross income derived in the ordinary course of a trade or business includes (and portfolio income, therefore, does not include) only the following types of income: (a) interest income on loans and investments made in the ordinary course of a trade or business of lending money; (b) interest on accounts receivable arising from the performance of services or the sale of property in the ordinary course of a trade or business of performing such services or selling such property, but only if credit is customarily offered to customers of the business; (c) income from investments made in the ordinary course of a trade or business of furnishing insurance or annuity contracts or reinsuring risks underwritten by insurance companies; (d) income or gain derived in the ordinary course of an activity of trading or dealing in any property if such activity constitutes a trade or business (unless the dealer held the property for investment at any time before such income or gain is recognized); (e) royalties derived by the taxpayer in the ordinary course of a trade or business of licensing intangible property; (f) amounts included in the gross income of a patron of a cooperative by reason of any payment or allocation to the patron based on patronage occurring with respect to a trade or business of the patron; and (g) other income identified by the Commissioner as income derived by the taxpayer in the ordinary course of a trade or business.

See temporary regulations section 1.469-2T(c)(3) for more information on portfolio income.

Portfolio income is reported on line 4 of Schedules K and K-1, rather than on page 1 of Form 1065.

Expenses related to portfolio income are reported on line 10 of Schedules K and K-1.

Recharacterization of Passive Income

Under the provisions of temporary regulations section 1.469-2T(f), net passive income from certain passive activities must be treated as nonpassive income. Net income from the following activities is subject to recharacterization: (1) significant participation passive activities, (2) activities of renting substantially nondepreciable property, (3) equity-financed lending activities, (4) rental activities incidental to a development activity, (5) activities of renting property to a nonpassive activity, and (6) activities related to an interest in a passthrough entity that licenses intangible property.

Any net passive income from an activity of renting substantially nondepreciable property, from an equity-financed lending activity, or from an activity related to an interest in a passthrough entity that licenses intangible property that is recharacterized as nonpassive income is treated by partners as investment income for purposes of computing investment interest expense limitations. "Net passive income" means the excess of passive activity gross income from the activity over passive activity deductions (current year deductions and prior year unallowed losses) from the activity.

1. Significant participation passive activities.—A significant participation passive activity is any trade or business activity in which the partner both participates for more than 100 hours during the tax year and does not materially participate. Because each partner must determine the partner's level of participation, the partnership will not be able to identify significant participation activities.

2. Certain nondepreciable rental property activities.—Net passive income from a rental activity is nonpassive income if less than 30 percent of the unadjusted basis of the property used or held for use by customers in the activity is subject to depreciation under section 167.

3. Equity-financed lending activities.—If the partnership has net income from an equity-financed lending activity, the lesser of the net passive income or the equity-financed interest income from the activity is nonpassive income.

Note: *The amount of income from the activities in items 1 through 3, above, that any partner will be required to recharacterize as nonpassive income may be limited under temporary regulations section 1.469-2T(f)(8). Since the partnership will not have information regarding all of a partner's activities, it must identify all partnership activities meeting the definitions in items 2 and 3 as activities that may be subject to recharacterization.*

4. Rental activities incidental to a development activity.—Net rental activity income is nonpassive income for a partner if all of the following apply: (a) the partnership recognizes gain from the sale, exchange, or other disposition of the rental property during the tax year; (b) the use of the item of property in the rental activity started less than 24 months before the date of disposition (the use of an item of rental property begins when substantially all of the property is first held out for rent and is in a state of readiness for rental); and (c) the partner materially participated or significantly participated for any tax year in an activity that involved the performance of services for the purpose of enhancing the value of the property (or any other item of property, if the basis of the property disposed of is determined in whole or in part by reference to the basis of that item of property). "Net rental activity income" means the excess of passive activity gross income from renting or disposing of property over passive activity deductions (current year deductions and prior year unallowed losses) that are reasonably allocable to the rented property.

Because the partnership cannot determine a partner's level of participation, the partnership must identify net income from property described in items (a) and (b) of paragraph 4 as income that may be subject to recharacterization.

5. Activities involving property rented to a nonpassive activity.—If a taxpayer rents property to a trade or business activity in which the taxpayer materially participates, the taxpayer's net rental activity income from the property is nonpassive income. "Net rental activity income" means the excess of passive activity gross income from renting or disposing of property over passive activity deductions (current year deductions and prior year unallowed losses) that are reasonably allocable to the rented property.

6. Activities related to an interest in a passthrough entity that licenses intangible property.—Generally, net royalty income from intangible property is nonpassive income if the taxpayer acquired an interest in the passthrough entity after the passthrough entity created the intangible property or performed substantial services or incurred substantial costs in developing or marketing the intangible property. "Net royalty income" means the excess of passive activity gross income from licensing or transferring any right in intangible property over passive activity deductions (current year deductions and prior year unallowed losses) that are reasonably allocable to the intangible property.

See temporary regulations section 1.469-2T(f)(7)(iii) for exceptions to this rule.

Passive Activity Reporting Requirements

To allow partners to correctly apply the passive activity loss and credit rules, any partnership that carries on more than one activity must:

1. Provide an attachment for each activity conducted through the partnership that identifies the type of activity conducted (trade or business, rental real estate, rental activity other than rental real estate, or investment).

2. On the attachment for each activity, provide a schedule, using the same line numbers as shown on Schedule K-1, detailing the net income (loss), credits, and all items required to be separately stated under section 702(a) from each trade or business activity, from each rental real estate activity, from each rental activity other than a rental real estate activity, and from investments. With respect to each

separately identified activity, identify any activity that both is a pre-enactment activity conducted through the partnership and relates to a pre-enactment interest of the partner.

3. Identify the net income (loss) and credits from each oil or gas well drilled or operated pursuant to a working interest that any partner (other than a partner whose only interest in the partnership during the year is as a limited partner) holds through the partnership. Further, if any partner had an interest as a general partner in the partnership during less than the entire year, the partnership must identify both the disqualified deductions from each well that the partner must treat as passive activity deductions, and the ratable portion of the gross income from each well that the partner must treat as passive activity gross income.

4. Identify the net income (loss) and the partner's share of partnership interest expense from each activity of renting a dwelling unit that the partner also uses for personal purposes during the year for more than the greater of 14 days or 10 percent of the number of days that the residence is rented at fair rental value.

5. Identify the net income (loss) and the partner's share of partnership interest expense from each activity of trading personal property conducted through the partnership.

6. With respect to any gain (loss) from the disposition of an interest in an activity or of an interest in property used in an activity (including dispositions before 1987 from which gain is being recognized after 1986):

(a) identify the activity in which the property was used at the time of disposition;

(b) if the property was used in more than one activity during the 12 months preceding the disposition, identify the activities in which the property was used and the adjusted basis allocated to each activity; and

(c) with respect to gains only, if the property was substantially appreciated at the time of the disposition and the applicable holding period specified in temporary regulations section 1.469-2T(c)(2)(iii)(A) was not satisfied, identify the amount of the nonpassive gain and indicate whether or not the gain is investment income under the provisions of temporary regulations section 1.469-2T(c)(2)(iii)(E).

7. Specify the amount of gross portfolio income, the interest expense properly allocable to portfolio income, and expenses other than interest expense that are clearly and directly allocable to portfolio income.

8. Identify separately any of the following types of payments to partners: payments to a partner for services other than in the partner's capacity as a partner (under section 707(a)); guaranteed payments to a partner for services (under section 707(c)); guaranteed payments for use of capital; if section 736(a)(2) payments are made for unrealized receivables or for goodwill, the amount of the payments and the activity or activities to which the payments are attributable; if section 736(b) payments are made, the amount of the payments and the activity or activities to which the payments are attributable.

9. Identify the ratable portion of any section 481 adjustment (whether a net positive or a net negative adjustment) allocable to each partnership activity.

10. Identify the amount of gross income from each oil or gas property of the partnership.

11. Identify any gross income from sources that are specifically excluded from passive activity gross income, including: income from intangible property if the partner is an individual and the partner's personal efforts significantly contributed to the creation of the property; income from a qualified low-income housing project (as defined in section 502 of the 1986 Act) conducted through the partnership; income from state, local, or foreign income tax refunds; and income from a covenant not to compete (in the case of a partner who is an individual and who contributed the covenant to the partnership).

12. Identify any deductions that are not passive activity deductions.

13. If the partnership makes a full or partial disposition of its interest in another entity, identify the gain (loss) allocable to each activity conducted through the entity, and the gain allocable to a passive activity that would have been recharacterized as nonpassive gain had the partnership disposed of its interest in property used in the activity (because the property was substantially appreciated at the time of the disposition, and the gain represented more than 10 percent of the partner's total gain from the disposition).

14. Identify the following items with respect to activities which may be subject to the recharacterization rules under temporary regulations section 1.469-2T(f):

(a) net income from an activity of renting substantially nondepreciable property;

(b) the lesser of equity-financed interest income or net passive income from an equity-financed lending activity;

(c) net rental activity income from property that was developed (by the partner or the partnership), rented, and sold within 24 months after the rental of the property commenced;

(d) net rental activity income from the rental of property by the partnership to a trade or business activity in which the partner had an interest (either directly or indirectly); and

(e) net royalty income from intangible property if the partner acquired the partner's interest in the partnership after the partnership created the intangible property or performed substantial services or incurred substantial costs in developing or marketing the intangible property.

15. With respect to credits, identify separately the credits from the partnership that are associated with each activity conducted by or through the partnership.

16. With respect to credits being taken on a qualified progress expenditure basis, identify the activity in which the property will be placed in service upon completion of the expenditures.

17. With respect to partners that are C corporations, identify net active income and all other income, loss, and credit items that must be furnished to partners that are not C corporations.

Signatures

General Partner

Form 1065 is not considered to be a return unless it is signed. One general partner must sign the return. If a receiver, trustee in bankruptcy, or assignee controls the organization's property or business, that person must sign the return.

Paid Preparer's Information

If someone prepares the return and **does not charge the partnership**, that person **should not sign** the partnership return.

Generally, anyone who is paid to prepare the partnership return must sign the return and fill in the other blanks in the **Paid Preparer's Use Only** area of the return.

*The preparer required to sign the partnership return **MUST** complete the required preparer information and:*

- *Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)*
- *Give the partnership a copy of the return in addition to the copy to be filed with the IRS.*

Tax return preparers should be familiar with their responsibilities. See **Pub. 1045**, Information for Tax Practitioners, for more information.

Specific Instructions

These instructions follow the line numbers on the first page of Form 1065 and on the schedules that accompany it. Specific instructions for most of the lines are provided on the following pages. Lines that are not discussed in the instructions are self-explanatory.

Fill in all applicable lines and schedules. Enter any items specially allocated to the partners on the appropriate line of the applicable partner's Schedule K-1. Enter the total amount on the appropriate line of Schedule K. Do not enter separately stated amounts on the numbered lines on Form 1065, page 1, or in Schedules A, D, or H.

File only one Form 1065 for each partnership. Mark "duplicate copy" on any copy you give to a partner.

If a syndicate, pool, joint venture, or similar group files Form 1065, a copy of the agreement and all amendments must be attached to the return, unless a copy has already been filed.

Form 1065

Name, Address, and Employer Identification Number

Use the label on the package that was mailed to the partnership. If the partnership's name, address, or employer identification number is wrong on the label, mark through it and write the correct information on the label. If the partnership does not have a package with a label, print or type the partnership's legal or trade name and address on the appropriate lines.

If the post office does not deliver mail to the partnership's street address, use the partnership's P.O. Box number instead of the street address.

Show the correct employer identification number in Question D on page 1 of Form

1065. If the partnership does not have an employer identification number, it must apply for one on **Form SS-4**, Application for Employer Identification Number. Form SS-4 can be obtained at any IRS or Social Security Administration office. See Pub. 583 for more information.

Question A

Principal Business Activity

Enter the applicable activity name and code number from the list on page 24.

For example, if, as its principal business activity, the partnership (1) purchases raw materials, (2) subcontracts out for labor to make a finished product from the raw materials, and (3) retains title to the goods, the partnership is considered to be a manufacturer and must enter "Manufacturer" in Question A and enter one of the codes (2000 through 3970) under "Manufacturing" on page 24 of the instructions in Question C.

Question F

Total Assets at End of Tax Year

See the instructions below for Question M before completing this question.

If you are required to complete this question, enter the total assets, as determined by the accounting method regularly used in maintaining the partnership's books and records, as of the end of the partnership's tax year. If there are no assets at the end of the tax year, enter the total assets as of the beginning of the tax year.

Question I

Number of Partners

Enter the total number of persons who were partners at **any time** during the tax year.

Question M

Answer Question M "Yes" if **ALL** of the following requirements are met:

1. The partnership's principal income producing activity is from one or more of the following:
   a. Co-ownership of investment property.
   b. Family-owned wholesale or retail store partnership (activity codes 5001–5996).
   c. Family farm partnership.
   d. Wholesale or retail (activity codes 5001–5996), or service (activity codes 7012–8999) partnership with **both** gross receipts and assets of less than $250,000.

   See page 24 for the list of activity codes.
2. The partnership is a domestic partnership composed of 10 or fewer partners (generally, 10 or fewer Schedules K-1 are attached to this return, except that a husband and wife and their estates are treated as 1 partner for this purpose) each of whom is a natural person (other than a nonresident alien) or an estate.
3. The partnership does not have any trusts or corporations as partners.
4. The partnership is not a partner in any other partnership.
5. Each partner's interest in the capital is the same as his or her interest in the profits.
6. All of the income, deductions, and credits are allocated to each partner in proportion to that partner's pro rata interest.
7. Schedules K-1 are filed with the return and furnished to the partners on or before the due date of the partnership return including extensions.

If Question M is answered "Yes," the partnership is not required to complete Schedules L and M, Question F on page 1 of Form 1065, or Question K on Schedule K-1.

Question N

Section 754 Election

Under section 754, a partnership may elect to adjust the basis of partnership property when property is distributed or when a partnership interest is transferred. If the election is made with respect to a transfer of a partnership interest (section 743(b)) and the assets of the partnership constitute a trade or business for purposes of section 1060(c), then the value of any goodwill transferred must be determined in the manner provided in temporary regulations section 1.1060-1T. Once an election is made under section 754, it applies both to all distributions and to all transfers made during the tax year and in all subsequent tax years unless the election is revoked (see regulations section 1.754-1(c)).

This election must be made in a statement that is filed with the partnership's timely filed return (including any extension) for the tax year during which the distribution or transfer occurs. The statement must include: (1) the name and address of the partnership; (2) a declaration that the partnership elects under section 754 to apply the provisions of section 734(b) and section 743(b); and (3) the signature of the general partner authorized to sign the partnership return.

See section 754 and the related regulations for more information.

Note: *If there is a distribution of property consisting of an interest in another partnership, see section 734(b).*

Question O

Foreign Partners

Check "Yes" for Question O(1) if the partnership had any foreign partners (for purposes of section 1446) at any time during the tax year. Otherwise, check "No."

Check "Yes" for Question O(2) if the partnership made any distributions to a foreign partner during the tax year. Otherwise, check "No."

If the partnership had income effectively connected with a trade or business in the U.S. and made any distributions to a foreign partner during the tax year, see Rev. Proc. 88-21.

Question P

Foreign Accounts

Check "Yes" if either **a** OR **b** below applies to the partnership:

a. At any time during the year, the partnership had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

Exception: Check "No" if either of the following applies to the partnership:

- The combined value of the accounts was $10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

b. The partnership owns more than 50% of the stock in any corporation that would answer the question "Yes" based on item **a** above.

Get Form **TD F 90-22.1**, Report of Foreign Bank and Financial Accounts, to see if the partnership is considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If you checked "Yes" for Question P, file Form TD F 90-22.1 by June 30, 1989. File it with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return. *Do not file it with Form 1065.*

Attach a statement that gives the name(s) of the country or countries to which Question P applies if you need additional space to write in their names.

Question R

Form 8264

See **Registration of Tax Shelters** on page 2 of these instructions.

Question S

Consolidated Partnership Proceedings

Generally, the tax treatment of partnership items is determined at the partnership level in a consolidated partnership proceeding, rather than in separate proceedings with individual partners.

Check the box for Question **S** if any of the following apply:

- The partnership had more than 10 partners at any one time during the tax year (for purposes of this question, a husband and wife—and their estates—count as one person); or
- Any partner was a nonresident alien or was other than a natural person or estate; or
- Any partner's share of any partnership item was different from his or her share of any other partnership item; or
- The partnership is a "small partnership" which has elected to be subject to the rules for consolidated partnership proceedings.

"Small partnerships" as defined in section 6231(a)(1)(B) are not subject to the rules for consolidated partnership proceedings, but may make an irrevocable election to be covered by them.

For more information on the consolidated partnership proceeding rules, see **Pub. 556**, Examination of Returns, Appeal Rights, and Claims for Refund, and section 6231.

Income

(Lines 1a–8)

Caution: *Report **only** trade or business activity income on lines 1a–8. **Do not report rental activity income or portfolio income on these lines.** (See the instructions on Passive Activity Limitations beginning on page 5 for definitions of rental income and portfolio income.) Rental activity income and portfolio income are*

reported on Schedules K and K-1 (rental real estate activities are also reported on Schedule H).

Do not include any income that is tax-exempt on lines 1a–8.

A partnership that receives any tax-exempt income other than interest, or holds any property or engages in any activity that produces tax-exempt income, must attach to its return an itemized statement showing the amount of each type of tax-exempt income, and the amount of expense allocated to each type.

Tax-exempt interest income, including exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company, is reported to the partners on a statement attached to Schedule K-1 for line 18b of Schedule K-1.

See the instructions for **Deductions** for information on how to treat expenses related to tax-exempt income.

If the partnership has been involved in bankruptcy, insolvency, or similar proceedings, see section 108, **Form 982,** Reduction of Tax Attributes Due to Discharge of Indebtedness, and **Pub. 908,** Bankruptcy, for more information.

Line 1a

Gross Receipts or Sales

Enter gross receipts or sales from all trade or business operations. Do not include rental activity income or portfolio income. Also, do not include income you are required to report on lines 4 through 7. For example, do not include gross receipts from farming on this line. Instead, show net profits (losses) from farming on line 5.

The rules for long-term contracts have been changed by the 1987 Act and the 1988 Act. See section 460 for more information.

Changes have also been made to the installment method. Effective for dispositions after 1987, the installment method is no longer available for dealer dispositions of property. In addition, the proportionate disallowance rules of section 453C have been repealed for dispositions after 1987. However, a dealer disposition does not include: (1) the disposition of property used or produced in the trade or business of farming, or (2) certain dispositions of timeshares and residential lots if the taxpayer elects to pay interest under section 453(l)(3). See the instructions for line 18b, item i, of Schedules K and K-1 for information regarding this interest that must be passed through to each partner. See section 453(l) for more information.

Effective for tax years beginning after 1987, the installment method has also been repealed for installment obligations arising from dealer dispositions of property after February 28, 1986, and before January 1, 1988. If the partnership was reporting these obligations on the installment method, the gain that remains to be recognized as of the first day of the partnership's first tax year beginning after 1987 must be included in income as a section 481(a) adjustment over a period not to exceed 4 tax years. The rules of Rev. Proc. 84-74 are used to figure the amount includible each year, except that the section 481(a) adjustment must be included in income at a rate no slower than the rate of contraction of the partnership's dealer installment obligations. Do not include in the section 481(a) adjustment any gain that is taken into account under section 811(c)(6) of the 1986 Act (transition rule for sales of real property by dealers). Similarly, the section 481(a) adjustment is not affected by section 811(c)(7) of the 1986 Act, which permits the delayed payment of certain tax for sales of personal property by dealers. Both of these rules continue to apply to installment obligations arising out of dealer dispositions occurring after February 28, 1986, and before January 1, 1988. Include the amount reportable as income in 1988 on line 1a, page 1, and attach a computation. The change of accounting method is treated as initiated by the taxpayer and made with IRS consent.

For dealer dispositions of property before March 1, 1986, dispositions of property used or produced in the trade or business of farming, and certain dispositions of timeshares and residential lots reported under the installment method, enter on line 1a the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing the following for the current year and the three preceding years: (a) gross sales, (b) cost of goods sold, (c) gross profits, (d) percentage of gross profits to gross sales, (e) amount collected, and (f) gross profit on amount collected.

Line 2

Cost of Goods Sold and/or Operations

Complete Schedule A of Form 1065 if there is an entry on line 2 for either cost of goods sold or cost of operations.

Line 4

Ordinary Income (Loss) From Other Partnerships and Fiduciaries

Enter the amount shown on Schedule K-1 (Form 1065) or Schedule K-1 (Form 1041).

Do **not** include portfolio income or rental activity income (loss) from other partnerships and fiduciaries on this line. Instead, report these amounts on the applicable lines of Schedules K and K-1, or on Schedule H if the amount is from a rental real estate activity.

Treat shares of other items separately reported on Schedule K-1 issued by the other entity as if the items were realized or incurred by this partnership.

Note: *Partnerships must consider the rules of section 469 (including the rules regarding publicly traded partnerships) when reporting items from other partnerships or fiduciaries in which they are partners or beneficiaries. For example, portfolio income from other partnerships or fiduciaries must be reported as a separately stated item to partners in this partnership and should not be reported on page 1 of Form 1065.*

If there is a loss from another partnership, the amount of the loss that may be claimed is subject to the limitations of sections 465 and 704(d), as appropriate.

If the tax year of your partnership does not coincide with the tax year of the other partnership or fiduciary, include the ordinary income (loss) from the other entity in the tax year in which the other entity's tax year ends.

Note: *Be sure to show the partnership's or fiduciary's name, address, and employer identification number on a separate statement attached to this return. If the amount entered is from more than one source, identify the amount from each source.*

Line 5

Net Farm Profit (Loss)

Enter the partnership's net profit (loss) from **Schedule F (Form 1040),** Farm Income and Expenses. Attach Schedule F (Form 1040) to Form 1065. Do **not** include on this line any farm profit (loss) from other partnerships. Report those amounts on line 4. In computing the partnership's net farm profit (loss) do not include any section 179 expense deduction, since this amount must be separately stated.

Also report the partnership's fishing income on this line.

A special rule applies to farm partnerships that use the cash method of accounting, and whose prepaid expenses for feed, seed, fertilizer, other farm supplies, and the cost of poultry are more than 50% of other deductible farming expenses. Generally, any such excess may be deducted only in the year the items are actually used or consumed. See section 464(f).

Farm syndicates (section 464(c)) are required to use the accrual method of accounting. See section 448.

If a corporation is a member of a partnership engaged in farming, see section 447.

For more information, get **Pub. 225,** Farmer's Tax Guide.

Note: *The 1986 Act provides an exception to the section 263A rules that require capitalization of production expenses by certain partnerships engaged in farming. Partners of partnerships which are not required to use an accrual method of accounting may elect to deduct currently the production costs of plants and animals that were deductible under prior law. Because the election to deduct these expenses is made by the partner, farm partnerships that are not required to use an accrual method should not capitalize such production expenses but should instead state them separately on Schedule K-1, line 18b, item h. See temporary regulations section 1.263A-1T(c) for more information.*

Line 6

Net Gain (Loss)

Caution: *Include only ordinary gains or losses from the sale, exchange, or involuntary conversion of assets used in a trade or business activity. Ordinary gains or losses from the sale, exchange, or involuntary conversion of rental activity assets will be reported separately on Schedules K and K-1, generally as a part of the net income (loss) from the rental activity. If the partner does not materially participate in the trade or business, the gains or losses reported on line 6 will be subject to the passive activity rules.*

In addition to other ordinary gains or losses shown on **Form 4797,** Sales of Business Property, and reported on line 6, a partnership that is a partner in another partnership must include on Form 4797 its share of ordinary gains (losses) from sales,

exchanges, or involuntary conversions (other than casualties or thefts) of the other partnership's trade or business assets.

Do not include any recapture of expense deduction for recovery property (section 179). See the instructions for Schedule K-1, line 18b, item e, and the instructions for Form 4797 for more information.

Line 7

Other Income (Loss)

Enter any other taxable income (loss) from a trade or business activity not included on lines 1a through 6. Include taxable income from insurance proceeds. Also include on this line the amount of credit for alcohol used as a fuel that was entered on **Form 6478**, Credit for Alcohol Used as Fuel. In the margin, next to the total amount, enter the amount of the credit and the words "Alcohol Fuel Credit." Do not include those items requiring separate computations that must be reported on Schedules K and K-1. See the Instructions for Schedules K and K-1 later in these instructions.

If the partnership was required to convert from the reserve method to the specific charge-off method of accounting for bad debts, use line 7 to report the ratable amount of the required adjustment. Generally, the balance in the reserve for bad debts is to be included in income ratably over a 4-year period starting with the first tax year beginning after 1986. See section 805(d)(2) of the 1986 Act and Pub. 548 for more information.

The partnership must include as other income the recapture amount for section 280F if the business use of listed property drops to 50% or less. See section 280F(b)(3). To figure the recapture amount, the partnership must complete Part V of Form 4797.

Do not report portfolio or rental activity income (loss) on this line.

Deductions

(Lines 9a–20)

Caution: *Include **only** trade or business activity deductions on lines 9a–20. **Do not include any expenses of a rental activity or of portfolio income on these lines.** Rental activity deductions and deductions allocable to portfolio income are separately reported on Schedules K and K-1. See the instructions on Passive Activity Limitations beginning on page 5 for more information on rental activities and portfolio income.*

Do not include any nondeductible amounts (such as expenses connected with the production of tax-exempt income) on lines 9a–20.

If an expense is connected with both taxable income and nontaxable income, allocate a reasonable part of the expense to each kind of income. (See section 265.)

Do not take a deduction for any qualified expenditures to which an election under section 59(e) may apply. See the instructions for Schedules K and K-1, line 18a, for information on how to report these amounts.

Note: *Do not deduct in this section items which section 702 and the regulations require that the partnership state separately and which require separate computations by the partners. For example, section 212 expenses incurred for the production of income instead of in a trade or business must be separately stated. Other items which must be separately stated include charitable contributions, foreign taxes paid, intangible drilling and development costs, soil and water conservation expenditures, and exploration expenditures. The distributive shares of these expenses are reported as separate items to each partner on Schedule K-1.*

Organization and Syndication Expenses

Amounts paid or incurred to organize a partnership or promote the sale of an interest in a partnership are capital expenditures. They are not deductible as a current expense.

Under section 709, the partnership may choose to amortize organization expenses over a period of 60 or more months, beginning with the month in which the partnership begins business. (Include the amortization expense on line 19.) On the balance sheet (Schedule L) show the unamortized balance of organization costs and all syndication expenditures. See the instructions for line 10 for the treatment of organization and syndication expenses paid to a partner.

See section 195 for the capitalization of start-up expenditures.

Syndication costs incurred in connection with the sale of limited partnership interests are chargeable to the capital account and cannot be amortized by the partnership. See Revenue Ruling 85-32, 1985-1 C.B. 186.

Uniform Capitalization Rules

Section 263A provides uniform rules for determining which expenses must be included in inventory costs or capitalized. Do not include these expenses on lines 9a–20. These rules apply to:

- Real or tangible personal property produced by the partnership for use in its trade or business or in an activity engaged in for profit.
- Real or tangible personal property produced by the partnership to be held in inventory or for sale in the ordinary course of business.
- Real property acquired for resale. The rules also apply to tangible or intangible personal property acquired for resale if the partnership's average annual gross receipts for the 3 prior tax years exceed $10,000,000.

Partnerships subject to these rules are required to capitalize not only direct costs but also an allocable portion of most indirect costs (including taxes) that benefit the assets produced or acquired for resale. Generally, interest expense paid or incurred in the course of production must be capitalized and is governed by special rules.

The costs required to be capitalized under section 263A are not deducted until the property to which the costs relate is sold, used, or otherwise disposed of by the partnership.

The uniform capitalization rules do not apply to timber, property produced under a long-term contract, research and experimental costs under section 174, or certain developmental and intangible costs of oil and gas or geothermal wells or other mineral property allowable as a deduction. Special rules apply to farm partnerships.

The uniform capitalization rules do not apply to property which is produced for use by the partnership if substantial construction occurred before March 1, 1986.

Line 9a

Salaries and Wages

Do not enter salaries and wages reported elsewhere, such as those reported on Schedule A, line 3; on line 18a; or those allocable to an activity other than a trade or business activity.

Line 9b

Jobs Credit

Enter the total amount of the jobs credit computed by the partnership. Subtract this from the salaries and wages shown on line 9a. See the Instructions for **Form 5884**, Jobs Credit, to figure the amount of credit to enter on line 9b.

Line 10

Guaranteed Payments to Partners

Deduct payments or credits to a partner for services or for the use of capital if the payments or credits are determined without regard to partnership income and are allocable to a trade or business activity. Do not include any payments and credits that should be capitalized. For example, although payments or credits to a partner for services rendered in organizing a partnership may be guaranteed payments under section 707, they are not deductible on line 10. They are capital expenditures. (However, they should be separately reported on Schedule K-1, line 5.) Do not include distributive shares of partnership profits. Report the guaranteed payments to the appropriate partners on Schedule K-1, line 5.

Line 11

Rent

Enter rent paid on business property used in a trade or business activity. Do not deduct rent for a dwelling unit occupied by any partner for personal use.

Line 12

Interest

Include only interest incurred in the trade or business activity(ies) of the partnership that is not claimed elsewhere on the return.

Do not include interest expense on debt required to be allocated to the production of qualified property. Interest that is allocable to certain property produced by a partnership for its own use or for sale must be capitalized. In addition a partnership must also capitalize any interest on debt that is allocable to an asset used to produce the above property. A partner may have to capitalize interest that the partner incurs during the tax year with respect to the production expenditures of the partnership. Similarly, interest incurred by a partnership may have to be capitalized by a partner with respect to the partner's own production expenditures. The information required by the partner to properly capitalize interest for this purpose must be provided by the partnership in an attachment to Schedule K-1. See section 263A(f) and Notice 88-99, 1988-36 I.R.B. 29.

Do not include interest expense on debt used to purchase rental property or debt used in a rental activity. Interest allocable to a rental real estate activity is reported on Schedule H and is used in arriving at net income (loss) from rental real estate activity(ies) on line 2 of Schedules K and K-1. Interest allocable to a rental activity other than a rental real estate activity is included on line 3b of Schedule K and is used in arriving at net income (loss) from a rental activity (other than a rental real estate activity). This net amount is reported on line 3c of Schedule K and line 3 of Schedule K-1.

Do not include interest expense on debt used to buy property held for investment. Do not include interest expense that is clearly and directly allocable to interest, dividend, royalty, or annuity income not derived in the ordinary course of a trade or business.

Interest paid or incurred on debt used to buy investment property is reported on line 16a of Schedules K and K-1. See the instructions for line 16a of Schedules K and K-1 and Form 4952 for more information on investment property.

Temporary regulations section 1.163-8T gives rules for allocating interest expense among activities so that the passive activity limitation (section 469), investment interest limitation, and the personal interest limitation can be properly computed. Generally, interest expense is allocated in the same manner that debt is allocated. Debt is allocated by tracing disbursements of the debt proceeds to specific expenditures, as provided in the regulations. These regulations give rules for tracing debt proceeds to expenditures.

See temporary regulations section 1.168-8T for special rules on the allocation of interest expense, transitional rules, and other details.

Note: *Interest paid by a partnership to a partner for the use of capital should be entered on line 10. Generally, prepaid interest can only be deducted over the period to which the prepayment applies (section 461(g)). Interest incurred during construction or improvement of real property, personal property that has a class life of 20 years or more, or other tangible property requiring more than 2 years (1 year in the case of property costing more than $1 million) to produce or construct generally must be capitalized. See section 263A for more information. The limitations on deductions for unpaid interest are in regulations section 1.267(b)-1(b).*

Line 13

Taxes

Enter taxes paid or incurred on business property for carrying on a trade or business only if they are not included elsewhere on the return or on Schedules K and K-1. Federal import duties and Federal excise and stamp taxes are deductible only if paid or incurred in carrying on the trade or business of the partnership.

Do not deduct taxes assessed against local benefits to the extent that they increase the value of the property assessed (such as for paving, etc.). Federal income taxes, estate, inheritance, legacy, succession, and gift taxes, or taxes reported elsewhere.

Do not report taxes allocable to portfolio income or to a rental activity on line 13. Taxes allocable to a rental real estate activity are reported on Schedule H. Taxes allocable to a rental activity other than a rental real estate activity are reported on line 3b of Schedule K. Taxes allocable to portfolio income are reported on line 10 of Schedules K and K-1.

See new section 263A for rules on capitalization of inventory, construction, and development costs (including taxes) incurred after 1986.

Note: *Taxes, including state and local sales tax paid or accrued in connection with the acquisition or disposition of business property must be added to the cost of the property, or, in the case of a disposition, subtracted from the amount realized. See section 164.*

Line 14

Bad Debts

Generally, partnerships must use the specific charge-off method of accounting for bad debts, and deduct business bad debts when they become wholly or partially worthless.

If the partnership was required by the 1986 Act to change from the reserve method of computing bad debts, the balance in any reserve for bad debts is generally required to be included in income ratably over a 4-year period. See the instructions for line 7 and Pub. 548 for more information.

Line 15

Repairs

Enter the cost of incidental repairs related to a trade or business activity that is not claimed elsewhere on the return and that do not add to the value of the property or appreciably prolong its life. New buildings, machinery, or permanent improvements that increase the value of the property are not deductible. They are chargeable to capital accounts and may be depreciated or amortized.

Line 16

Depreciation

On line 16a enter **only** the depreciation claimed on assets used in a trade or business activity (but only to the extent that such depreciation is not claimed elsewhere on the return). Complete and attach Form 4562. See Form 4562 and the related instructions and **Pub. 534**, Depreciation, for more information.

Caution: *Do not include any expense deduction for recovery property (section 179) on this line. This amount is not deducted by the partnership because it is passed through separately to the partners on line 9 of Schedule K-1.*

Line 17

Depletion

If the partnership claims a deduction for timber depletion, complete and attach **Form T**, Forest Industries Schedules.

Caution: *Do not report depletion deductions for oil and gas properties on this line. Each partner figures depletion on oil and gas properties under section 613A(c)(7)(D). See the instructions for Schedules K and K-1, line 18b, item c, for the information on oil and gas depletion that must be supplied to the partners by the partnership.*

Line 18a

Retirement Plans, etc.

Do not deduct payments for partners to retirement or deferred compensation plans including IRAs, Keoghs, and SEPs on this line. These amounts are reported on Schedule K-1, line 11, and are deducted by the partners on their own returns.

Enter the deductible contributions not claimed elsewhere on the return made by the partnership for its common-law employees under a qualified pension, profit-sharing, annuity, or Simplified Employee Pension plan (SEP), and under any other deferred compensation plan.

If the partnership contributes to an Individual Retirement Arrangement (IRA) for employees, include the contribution in salaries and wages on page 1, line 9a, or Schedule A, line 3, not on line 18a.

Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan (other than a SEP), whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current year, generally are required to file one of the following forms:

- **Form 5500**, Annual Return/Report of Employee Benefit Plan, for each plan with 100 or more participants.
- **Form 5500-C**, Return/Report of Employee Benefit Plan; or **Form 5500-R**, Registration Statement of Employee Benefit Plan, for each plan with fewer than 100 participants.
- **Form 5500EZ**, Annual Return of One-Participant (Owners and Their Spouses) Pension Benefit Plan, for each plan which covers only partners or partners and their spouses.

There are penalties for not filing these forms on time.

See **Pub. 1048**, Filing Requirements for Employee Benefit Plans, for more information.

Line 18b

Employee Benefit Programs

Enter the partnership's contributions to employee benefit programs not claimed elsewhere on the return (for example, insurance, health, and welfare programs) that are not part of a pension, profit-sharing, etc., plan included on line 18a.

Do not include any deductions allowable under the provisions of section 162(m) with respect to amounts paid during the taxable year for insurance which constitutes medical care for a partner, a partner's spouse, or a partner's dependents.

Line 19

Other Deductions

Enter any other allowable deductions related to a trade or business activity for which there is no separate line on page 1 of Form 1065.

Do not include those items requiring separate computation that must be reported on Schedule K-1.

Do not include qualified expenditures to which an election under section 59(e) applies.

Note for travel and entertainment expenses: *Generally, the amount allowable to the partnership as a deduction for meal and entertainment expenses is limited to 80% of the amount that would otherwise be allowable as a deduction. This limitation (section 274(n)) generally is applied after determining the amount of the otherwise allowable deduction under section 162, which permits a deduction for ordinary and necessary expenses, and after other provisions of section 274 which disallow a deduction for certain entertainment expenses. Expenditures for meals or beverages are disallowed to the extent that they are lavish or extravagant. See sections 274(k), (m), and (n) for exceptions.*

For a partnership with a taxable year beginning before January 1, 1989, skybox rental expense must be separately stated on line 11 of Schedules K and K-1. See the instructions for line 11 of Schedules K and K-1 for more information on skybox expense.

The rules for deductible expenses for luxury water travel, convention expenses, and tickets for entertainment have also been changed. For example, no deduction is allowed for travel, meals, and lodging expense incurred in connection with attending an investment seminar or similar meeting. The partnership cannot deduct these expenses or pass them through to partners.

Also the partnership may not deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (The partnership may be able to deduct the expense if the amount is treated as compensation and reported on Form W-2 for an employee or on Form 1099-MISC for an independent contractor.)

See **Pub. 463**, *Travel, Entertainment, and Gift Expenses, and* **Pub. 917**, *Business Use of a Car, for more details.*

Amortization

Enter the amount from Form 4562, Part II, except for section 59(e) amounts (see the instructions for Schedules K and K-1, line 18a). If the partnership elects to amortize certain expenditures for research and experimentation (section 174), or the development of a mine or natural deposit (section 616), file a statement with the return.

The instructions for Form 4562 provide code section references for specific amortizable property. See Pub. 535 for more information on amortization.

Schedule A

Cost of Goods Sold and/or Operations

Line 2

Purchases

Show withdrawals for personal use on Schedules M and K-1 (Question K) as distributions to partners, if Schedule M and Question K are required.

Lines 8a–8c

Valuation Methods

Inventories can be valued at: (1) cost; (2) cost or market value (whichever is lower); or (3) any other method approved by the Commissioner of Internal Revenue that conforms with the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must request permission to change to a method permitted for Federal tax purposes. For more information, see regulations section 1.446-1(e)(3) and Revenue Procedure 84-74, 1984-2 C.B. 738.

Check the method(s) used for valuing inventories on line 8a. Under "lower of cost or market," market generally refers to normal market conditions when there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For additional requirements, see regulations section 1.471-4.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are "subnormal" (that is, because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price minus the direct cost of disposition (but not less than scrap value) if the taxpayer can establish such a price. See regulations section 1.471-2(c) for additional requirements.

On line 8a(iv), check the box provided if the partnership used a method of inventory valuation other than those described on line 8a(i), (ii), or (iii), and attach a statement describing the method used.

If this is the first year the "Last-in First-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method, attach **Form 970**, Application To Use LIFO Inventory Methods, or a statement with the information required by Form 970. Also check the LIFO box on line 8b.

If you have changed or extended your inventory method to LIFO and have had to "write up" your opening inventory to cost in the year of election, report the effect of this write up as income (line 7, page 1, Form 1065) proportionately over a 3-year period that begins in the tax year you made this election.

Section 263A Uniform Capitalization Rules.—The uniform capitalization rules of section 263A apply to real and tangible personal property produced by the partnership to be held in inventory or for sale in the ordinary course of business. These rules also apply to real property acquired for resale and to tangible and intangible personal property acquired for resale if the partnership's average annual gross receipts for the 3 preceding tax years exceeds $10 million.

In the case of inventory, some of the indirect costs that must be capitalized are administration expenses; taxes; depreciation; insurance; compensation paid to officers attributable to services; rework labor; and contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans.

The costs required to be capitalized under section 263A are not deductible until the property to which the costs relate is sold, used, or otherwise disposed of by the partnership.

Current deductions may still be claimed for research and experimental costs under section 174, intangible drilling costs for oil and gas and geothermal property, and mining and exploration and development costs. Temporary regulations section 1.263A-1T specifies other indirect costs that may be currently deducted and those that must be capitalized with respect to production or resale activities.

Partnerships may elect one of the simplified methods of accounting for section 263A costs provided in the temporary regulations under section 1.263A-1T. Absent the election of a simplified method, partnerships are required to allocate additional costs to be included in inventory under section 263A with the same degree of specificity as was required of inventoriable costs under prior law. The following instructions are for partnerships required to use the rules of section 263A.

Generally, partnerships required by section 263A to change their method of accounting must complete section A (items 1a, 3a, 3b, 4a, 11, and 12) and section D of Form 3115 (Rev. 11-87 or later) and the section 263A checklist contained in Notice 88-92, 1988-34 I.R.B. 23 (reprinted as **Pub. 1426**, Automatic Change in Method To Comply With Section 263A), for each trade or business to which section 263A applies. The Form 3115 and section 263A checklist must be attached to the Form 1065 for the year of the change. However, if the first return to which section 263A applies was filed before October 21, 1988, and Form 3115 **and** the section 263A checklist was not filed with that return (or Form 3115 was filed without the section 263A checklist), Form 3115 (or a copy of the previously filed Form 3115) and the section 263A checklist must be attached to the first return filed after October 20, 1988. Identify the change at the top of page 1 of Form 3115 by printing or typing "Automatic Change in Accounting Method Under Section 263A." See Notice 88-92 for details.

Exceptions: *The requirement to file Form 3115* **or** *the section 263A checklist does not apply to any partnership required to change its accounting method under section 263A with respect to: (i) property produced in a farming business, or (ii) property produced by the partnership to be used in the partnership's trade or business (provided the partnership's average annual gross receipts for the 3 tax years preceding the year of change do not exceed $10 million).*

Line 4a.—An entry on this line is required only for partnerships electing a simplified method. In the case of partnerships electing the simplified production method, additional section 263A costs are generally those costs, other than interest, that were not capitalized or included in inventory costs under the taxpayer's method of accounting immediately prior to the

effective date in regulations section 1.263A-1T but that are now required to be capitalized under section 263A. Interest is to be accounted for separately. In the case of partnerships electing a simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories: off-site storage or warehousing; purchasing; handling; processing; assembly; and repacking; and general and administrative costs (mixed service costs). Enter on line 4a the balance of section 263A costs paid or incurred during the taxable year not included on lines 2 and 3. See regulations section 1.263A-1T for more information.

Line 4b.—Enter on line 4b any costs paid or incurred during the taxable year not entered on lines 2 through 4a.

Line 6.—See regulations section 1.263A-1T, Notice 88-86, and Notice 88-99 for more information on computing the amount of additional section 263A costs to be capitalized and added to ending inventory.

Schedule H

Income (Loss) From Rental Real Estate Activity(ies)

Use Schedule H to report the income and deductible expenses of any rental real estate activity. See the instructions beginning on page 5 for the definition of rental real estate activities.

- Do not report income or expenses from a trade or business activity on Schedule H.
- Do not report portfolio income or expenses on Schedule H.
- Do not report rental activity other than rental real estate activity income or expense on Schedule H.
- Do not report on Schedule H expense deductions for recovery property (section 179), charitable contributions, or other items which must be reported separately to partners.

Report rental real estate activity income (loss) from other partnerships or fiduciaries on line 2 of Schedule H. Identify the other partnership or fiduciary by name, address, and employer identification number on line 1 of Schedule H or on an attachment.

Report on line 2 ordinary gains or losses from the sale, exchange, or involuntary conversion of rental real estate activity assets. This amount comes from Form 4797, line 18.

Schedule L

Balance Sheets

Note: *Domestic partnerships with 10 or fewer partners may not have to complete Schedule L. See the instructions for Question M for the specific requirements to qualify for this exception.*

The amounts shown should agree with the partnership's primary books and records and should, therefore, reflect tax basis. Attach a statement explaining any differences. Balance sheet amounts shown on Schedule L should not be adjusted to reflect any revaluation under regulations section 1.704-1(b)(2)(iv)(f).

Partnerships reporting to the Interstate Commerce Commission or to any national, state, municipal, or other public officer may send copies of their balance sheets prescribed by the Commission or state or municipal authorities, as of the beginning and end of the tax year, instead of completing Schedule L. However, statements filed under this procedure must contain sufficient information to enable the IRS to reconstruct a balance sheet similar to that contained on Form 1065 without contacting the partnership during processing.

Line 17. Nonrecourse loans are those liabilities of the partnership for which none of the partners have any personal liability.

See Revenue Ruling 84-5, 1984-1 C.B. 32, for information on partnerships that purchase timeshare units in a vacation home with a nonrecourse obligation before deducting any interest that accrues on the obligation.

See Revenue Ruling 84-118, 1984-2 C.B. 120, for information on a limited partner's basis when there is a partially nonrecourse note.

A limited partner's basis is not increased by a share of the limited partnership's liability when the general partner has personally guaranteed a nonrecourse loan to the partnership.

Schedule M (Form 1065) and Question K, Schedule K-1

Reconciliation of Partners' Capital Accounts

Note: *Domestic partnerships with 10 or fewer partners may not have to complete Schedule M (Form 1065) or Question K (Schedule K-1). See the instructions for Question M for the specific requirements to qualify for this exception.*

Show what caused the changes in the partners' capital accounts during the tax year.

The amounts shown should agree with the partnership's books and records and the balance sheet amounts. Attach a statement explaining any differences.

Also, the amounts on Schedule M should equal the total of the amounts reported in Question K of all the partners' Schedules K-1.

Include in column (d) income reported in the partnership's books but not included in column (c). Also use column (d) to make additions to the capital account for differences between tax accounting and book accounting. Examples of amounts to be included in column (d) include tax-exempt interest, other tax-exempt income, and allowable deductions used by the partnership to figure the amount shown in column (c) but not charged against book income this year.

Include in column (e) losses and deductions reported in the partnership's books but not included in column (c). Also use column (e) to make reductions to the capital account for differences between tax accounting and book accounting. Examples of amounts to be included in column (e) include investment interest expense, deductions related to portfolio income, expenses connected with the production of tax-exempt income, charitable contributions, and income included in column (c) but not recorded in the partnership's books this year. Do not show the amount in column (e) in parentheses.

Include in column (f) withdrawals from inventory for personal use. Do not show the amount in parentheses.

See **Windfall Profit Tax** for how to report any windfall profit tax.

Note: *If Schedule M and Question K are not required, see the instructions for Schedules K and K-1, line 18b, item f.*

Schedules K and K-1

Partners' Shares of Income, Credits, Deductions, etc.

Purpose of Schedules

Schedule K (page 3 of Form 1065) is a summary schedule of all the partners' shares of the partnership's income, credits, deductions, etc. **Schedule K-1 (Form 1065)** shows each partner's separate share. One copy of each K-1 is attached to the Form 1065 filed with the Internal Revenue Service. One copy is kept with a copy of the partnership return as a part of the partnership's records. One copy must be furnished to each partner. If a partnership interest is held by a nominee on behalf of another person, the partnership may be required to furnish Schedule K-1 to the nominee. See temporary regulations section 1.6031(b)-1T and 1.6031(c)-1T for more information.

Note: *Be sure to give each partner a copy of either the Partner's Instructions for Schedule K-1 (Form 1065) or specific instructions for each item reported on the partner's Schedule K-1 (Form 1065).*

General Instructions

Although the partnership is not subject to income tax, the partners are liable for tax on their shares of the partnership income, whether or not distributed, and must include their share on their tax returns.

Schedules K and K-1 have the same line numbers for lines 1 through 18b.

Substitute Forms

You do not need IRS approval to use a substitute Schedule K-1 if it is an exact facsimile of the IRS schedule, or if it contains only those lines the taxpayer is required to use, and the lines have the same numbers and titles and are in the same order as on the comparable IRS Schedule K-1. In either case, your substitute schedule must include the OMB number and the Partner's Instructions for Schedule K-1 (Form 1065) or other prepared specific instructions.

Other substitute Schedules K-1 require approval. You may apply for approval of a substitute form by writing to: Internal Revenue Service, Attention: Substitute Forms Program Coordinator, TR:R:R, 1111 Constitution Avenue, NW, Washington, DC 20224.

Each taxpayer's information must be on a separate sheet of paper. Therefore, all continuously printed substitutes must be separated before they are filed with the Service.

You may be subject to a penalty if you file Schedules K-1 that do not conform to the specifications of Revenue Procedure 87–11, 1987-1 C.B. 546.

Note: *Separate Partner's Instructions for Schedule K-1 (Form 1065) are available at most IRS offices. These instructions can be attached to your substitute Schedule K-1.*

How Income Is Shared Among Partners

Income (loss) is allocated to a partner only for the part of the year in which that person is a member of the partnership. The partnership will either allocate on a daily basis or divide the partnership year into segments and allocate income, loss, or special items in each segment among the persons who were partners during that segment. Partnerships which report their income on the cash basis must allocate interest expense, tax expense, and any payment for services or for the use of property on a daily basis if there is any change in any partner's interest during the year. (See section 706 for more information and for information on the tax consequences of the termination of a partner's interest.)

Allocate shares of income, gain, loss, deduction, or credit among the partners according to the partnership agreement for sharing income or loss generally. If the partners agree, specific items may be allocated in a ratio different from the ratio for sharing income or loss generally. For instance, if the net income exclusive of specially allocated items is divided evenly among three partners but some special items are allocated 50% to one, 30% to another, and 20% to the third partner, report the specially allocated items on the appropriate line of the applicable partner's Schedule K-1 and the total on the appropriate line of Schedule K instead of on the numbered lines on page 1 of Form 1065 or Schedules A, D, or H.

If the partnership agreement does not provide for the partner's share of income, gain, loss, deduction, or credit, or if the allocation under the agreement does not have substantial economic effect, the partner's share is determined according to the partner's interest in the partnership. Regulations under section 704(b) provide rules relating to the substantial economic effect test and to the determination of a partner's interest in the partnership.

Section 1.704-1(b)(2)(ii)(b)(1) provides that an allocation of income, gain, loss, or deduction to a partner will generally have economic effect only if, throughout the full term of the partnership, the partnership agreement provides for the determination and maintenance of the partners' capital accounts in accordance with the rules under regulations section 1.704-1(b)(2)(iv). Section 1.704-1(b)(2)(iv)(r) provides a safe harbor whereby a partnership that began operating in a taxable year beginning before May 1, 1986, and did not determine and maintain the capital accounts of its partners in accordance with the rules of paragraph (b)(2)(iv) since the inception of the partnership, can restate the capital accounts to comply with those rules. Such restatement must have been made no later than the end of the first partnership taxable year beginning after April 30, 1986, and will cause the capital accounts of the partnership to be treated as if they were properly determined and maintained since inception. Further, under the provisions of Notice 88-87, 1988-34 I.R.B. 20, if a partnership that began operating in a taxable year beginning before May 1, 1986, modifies the partnership agreement on or before November 21, 1988, to make the required adjustments, such modification will be treated as though it had been included in the partnership agreement before the end of the first partnership taxable year beginning after April 30, 1986.

Note: *If a partner's interest changed during the year, see section 706(d) before determining each partner's distributive share of any item of income, gain, loss, deduction, etc. Also, see the regulations under sections 861 and 882 relating to the allocation and apportionment of partnership expenses for purposes of determining taxable income from specific sources or activities.*

Specific Instructions

Schedule K Only

Note: *Schedule K must be completed by all partnerships (including those with 10 or fewer partners). In order for partners to comply with the requirements of section 469, trade or business activity income (loss), rental activity income (loss), and portfolio income must be considered separately by the partner. Rental activity income (loss) and portfolio income are not reported on page 1 of Form 1065. These amounts are not combined with trade or business activity income (loss). Schedule K is used to report the totals of these (and other) amounts.*

Schedule K-1 Only

Prepare and give a Schedule K-1 to each person who was a partner in the partnership at any time during the year. Schedule K-1 must be provided to each partner on or before the day on which the partnership return is filed.

Note: *Generally, under section 6031(c) any person who holds an interest in a partnership as a nominee for another person is required to furnish to the partnership the name, address, etc., of the other person (beneficial holder of the interest).*

If a husband and wife each had an interest in the partnership, prepare a separate Schedule K-1 for each of them.

If a husband and wife held an interest together, prepare one Schedule K-1 if the two of them are considered to be one partner.

On each Schedule K-1, enter the names, addresses, and identifying numbers of the partner and partnership and the partner's distributive share of each item.

For an individual partner enter the partner's social security number. For all other partners enter the partner's employer identification number. (However, if a partner is an individual retirement arrangement (IRA), enter the identifying number of the custodian of the IRA. Do not enter the social security number of the person for whom the IRA is maintained.)

Note: *Space has been provided on page 2 of Schedule K-1 for you to provide information to the partners. This space may be used in lieu of attachments.*

Question A

Question A must be answered for all partners. If a partner holds interests as both a general and limited partner, attach a schedule for each activity which shows the amounts allocable to the partner's interest as a limited partner.

Question B

Partner's Share of Liabilities

Enter each partner's share of nonrecourse liabilities and other liabilities. **Nonrecourse liabilities** are those liabilities of the partnership for which none of the partners has any personal liability. See the **Note** below for the special rule for qualified nonrecourse financing. Nonrecourse liabilities include all nonrecourse debt on real property placed in service before January 1, 1987.

If the partner terminated his or her interest in the partnership during the year, enter the share that existed immediately before the total disposition. In all other cases, enter it as of the end of the year.

If the partnership is engaged in two or more different types of at-risk activities, or a combination of at-risk activities and any other activity, attach a statement showing the partner's share of nonrecourse liabilities and other liabilities for **each** activity. See sections 465(c)(2) and (3) and Pub. 925 to determine if the partnership is engaged in more than one at-risk activity.

If a partnership is engaged in an activity subject to the limitations of section 465(c)(1) (i.e., films or video tapes, leasing section 1245 property, farming, or oil and gas property), give each partner his or her share of the total pre-1976 loss(es) from that activity for which there existed a corresponding amount of nonrecourse liability at the end of each year in which the loss(es) occurred. See **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c), and related instructions for more information.

Note: *The at-risk rules have been extended to real property. However, there is an exception for "qualified" nonrecourse financing secured by real property used in the activity of holding real property. The partner is considered at-risk for "qualified" nonrecourse amounts.*

Qualified nonrecourse financing generally includes financing that is secured by real property and that is loaned or guaranteed by a Federal, state, or local government or that is borrowed from a "qualified" person. Qualified persons include any person actively and regularly engaged in the business of lending money, such as a bank or savings and loan association. Qualified persons generally do not include related parties (unless the nonrecourse financing is commercially reasonable and on substantially the same terms as loans involving unrelated persons), the seller of the property, or a person who receives a fee because of the investment in the real property. See section 465 and Pub. 925 for more information on qualified nonrecourse financing.

Enter the partner's share of partnership-level qualified nonrecourse financing on the **Other** line of Question B. The partner as well as the partnership must meet the qualified nonrecourse rules. Therefore, the

partnership must attach a statement to Schedule K-1 to identify partnership-level qualified nonrecourse financing included in Question B. The statement must include the information the partner needs to determine if the qualified nonrecourse rules are also met at the partner level.

Question C

What Type of Entity Is This Partner?

State on this line whether the partner is an individual, a corporation, a fiduciary, a partnership, an exempt organization, or a nominee (custodian). If the partner is a nominee, use one of the following codes to indicate the type of entity the nominee represents: I—Individual; C—Corporation; F—Fiduciary; P—Partnership; E —Exempt Organization; or IRA—Individual Retirement Arrangement.

Question D

Domestic/Foreign Partner

Check the appropriate box to indicate whether the partner is a domestic or a foreign partner.

Question E

Partner's Profit, Loss, and Capital Sharing Percentages

Enter in Question E, column (ii), the appropriate percentages as of the end of the year. However, if a partner's interest terminated during the year, enter in column (i) the percentages that existed immediately before the termination. When the profit or loss sharing percentage has changed during the year, show the percentage before the change in column (i) and the end of year percentage in column (ii). If there are multiple changes in the profit and loss sharing percentage during the year, attach a statement giving the date and percentage before each change. "Ownership of capital" means the portion of the capital that the partner would receive if the partnership was liquidated at the end of the year by the distribution of undivided interests in partnership assets and liabilities.

Question G

Tax Shelter Registration Number

If the partnership is a registration-required tax shelter, it must enter its Tax Shelter Registration Number and specify the type of tax shelter in the space provided. If the partnership invested in a registration-required shelter, the partnership must also attach a copy of its Form 8271 to Schedule K-1. See Form 8271 for a list of the types of tax shelters and for more information.

Question H

These questions should be answered for all partners. The information is needed by partners to apply the phase-in relief provisions of section 469. Interests in passive activities acquired by the partner on or before October 22, 1986, are eligible for phase-in relief of the passive loss rules. Interests acquired after October 22, 1986, do not qualify for phase-in relief (unless there was a contractual obligation on October 22, 1986, to purchase the interest).

Therefore, if a partner first acquires an interest in the partnership after October 22, 1986, or a partner's ownership interest is increased after October 22, 1986, the portion of his or her interest attributable to that new interest or to the increase in the interest does not qualify for phase-in relief. For example, if after that date a partner increases his or her ownership interest from 25% to 50%, only the losses and credits attributable to the 25% interest held prior to October 23, 1986, will qualify for the phase-in relief.

Generally, to qualify for phase-in relief, the interest held by the partner must be in an activity which had commenced by October 22, 1986. If the partnership commences a new activity after that date, the new activity does not qualify for phase-in relief (unless on or before August 16, 1986, the partnership entered into a binding contract to acquire assets used to conduct the activity, or construction of the property used in the activity began).

Question H(1).—Check "Yes" if a partner's percentage of ownership interest in the partnership changed after October 22, 1986. Phase-in relief applies only with respect to the ownership interest held by the partner on 10/22/86 and at all times thereafter. For example, if a partner reduces his or her ownership interest after 10/22/86 from 20% to 10%, and subsequently purchased additional interests restoring his or her share to 20%, then Question H(1) should be checked "Yes," and only the 10% interest held throughout qualifies for phase-in relief.

If Question H(1) is checked "Yes," attach a statement to Schedule K-1, for Question H(1), that identifies for each activity started or acquired by the partnership **before** 10/23/86 the amount of income, loss, deduction, and credit from each activity that is attributable to the partner's increase in ownership interest after October 22, 1986.

Question H(2).—Check "Yes" if the partnership started or acquired a new activity after October 22, 1986 (unless the binding contract or construction exceptions of section 469 apply). If the "Yes" block is checked, attach a statement to Schedule K-1. Identify the income (loss), credit, etc., attributable to the activity and state that the activity was commenced after October 22, 1986. Losses and credits from such activities do not qualify for phase-in relief.

Question K

Reconciliation of Partner's Capital Account

See the instructions for Question M and Schedule M of Form 1065.

Schedules K and K-1 (unless otherwise noted)

Special Allocations

An item is specially allocated if it is allocated to a partner in a ratio that is different from the ratio for sharing income or loss generally. Report specially allocated items as follows:

- Specially allocated **short-term** capital gain (loss), enter on line 4d of the applicable partner's Schedule K-1. Enter the total amount on line 4d of Schedule K.
- Specially allocated **long-term** capital gain (loss), enter on line 4e of the applicable partner's Schedule K-1. Enter the total amount on line 4e of Schedule K.
- Specially allocated ordinary gain (loss), enter on line 7 of the applicable partner's Schedule K-1. Enter the total amount on line 7 of Schedule K.
- Other specially allocated items should be reported on the applicable line(s) of the applicable partner's Schedule K-1. Report the total amount on the applicable line of Schedule K. For example, specially allocated contributions would be included on line 8 along with any other contributions.

Income (Loss)

Line 1

Ordinary Income (Loss) From Trade or Business Activity(ies)

Enter the partner's share of the ordinary trade or business income (loss) reported on Form 1065, page 1, line 21. If line 21 is a loss, enter the partner's full share of the loss. If the partner holds interests in the partnership both as a general partner and as a limited partner, enter the total loss for all interests held in the partnership. Enter the loss without reference to the adjusted basis of the partner's interest in the partnership or the partner's amount at risk.

If the partnership has more than one trade or business activity, identify on an attachment to Schedule K-1 the amount from each separate activity. See **Passive Activity Reporting Requirements** beginning on page 7.

Line 1 should not include rental activity income (loss) or portfolio income (loss).

Line 2

Rental Real Estate Income (Loss)

Enter income or loss from rental real estate activities of the partnership from line 17 of Schedule H (Form 1065). If a loss from a qualified low-income housing project is reported on line 2, identify this loss on a statement attached to the Schedule K-1 of each partner who is a qualified investor in the project.

Section 502 of the 1986 Act provides that any loss sustained by a qualified investor in a qualified low-income housing project for any tax year in the relief period is not subject to limitation under section 469. See section 502 and Pub. 925 for definitions and other details. Section 502 also provides that the low-income housing credit (section 42) may not be taken for any qualified low-income housing project for which any person has been allowed any benefit under the exception provided in section 502.

If the partnership has more than one rental real estate activity, identify on an attachment to Schedule K-1 the amount attributable to each activity.

Line 3

Other Rental Income (Loss)

On Schedule K, line 3a, enter gross income from rental activities other than rental real estate activities. See page 6 of these instructions, section 469, and Pub. 925 for the definition of rental activities. Include on line 3a, the gain (loss) from line 18 of Form 4797 that is attributable to the sale, exchange, or involuntary conversion of an asset used in a rental activity other than a rental real estate activity.

On line 3b of Schedule K enter the deductible expenses of the activity. Attach a schedule of these expenses to Form 1065.

Enter the net income (loss) on line 3c of Schedule K. Enter each partner's share on line 3 of Schedule K-1.

If the partnership has more than one rental activity reported on line 3, identify on an attachment to Schedule K-1 the amount from each activity.

Line 4

Portfolio Income

See page 6 of these instructions for a definition of portfolio income. Do not reduce portfolio income by expenses allocable to it. Portfolio expenses (other than interest expense) are reported on line 10 of Schedules K and K-1. Interest expense allocable to portfolio income is generally investment interest expense and must be reported on line 16a of Schedules K and K-1.

Lines 4a and 4b.—Enter only taxable interest and dividends on these lines.

Taxable interest is interest from all sources except interest exempt from tax, and interest on tax-free covenant bonds.

Caution: *Be sure to give each payer of interest and dividend income the partnership's correct identification number. Otherwise, the payer may withhold 20% of the interest or dividend income. You may also be subject to penalties.*

Lines 4d and 4e.—The amount reported for line 4d of Schedule K is the amount on line 4 of Schedule D (Form 1065) plus any short-term capital gain (loss) that is specially allocated to partners. Report each partner's share on line 4d of Schedule K-1.

The amount reported for line 4e of Schedule K is the amount on line 9 of Schedule D (Form 1065) plus any long-term capital gain (loss) that is specially allocated to partners. Report each partner's share on line 4e of Schedule K-1.

Caution: *If an amount reported on line 4d or 4e is a passive activity amount to the partner, the amount must be identified on an attachment to Schedule K-1.*

Line 4f.—Report and identify other portfolio income or loss on an attachment for line 4f. For example, income reported to the partnership from a real estate mortgage investment conduit (REMIC), in which the partnership is a residual interest holder, would be reported on an attachment for line 4f.

If the partnership holds a residual interest in a REMIC, report on the attachment for line 4f the partner's share of: (1) taxable income (net loss) from the REMIC (line 1b of Schedule Q (Form 1066)), (2) "excess inclusion" (line 2c of Schedules Q (Form 1066)), (3) and section 212 expenses (line 3b of Schedules Q (Form 1066)). Do not report these section 212 expenses on line 10 of Schedules K and K-1. Because Schedule Q (Form 1066) is a quarterly statement, the partnership must follow the Schedule Q instructions to figure the amounts to report to the partner for the partnership's tax year.

Line 5

Guaranteed Payments

Enter: (1) the guaranteed payments to partners for salaries and interest deducted by the partnership and reported on Form 1065, page 1, line 10; and (2) the guaranteed payments to partners that the partnership is required to capitalize. (See the instructions for Form 1065, line 10.)

Generally, amounts reported on line 5 are not considered to be related to a passive activity. For example, guaranteed payments for personal services paid to a partner would not be passive activity income. Likewise, interest paid to any partner is not passive activity income.

Line 6

Net Gain (Loss) Under Section 1231 (other than due to casualty or theft)

Enter on line 6 the amount shown on line 7 of Form 4797. Do not include specially allocated ordinary gains and losses or net gains or losses from involuntary conversions due to casualties or thefts on this line. Instead, report them on line 7. If the partnership has more than one activity, attach a statement to Schedule K-1 that identifies which activity the section 1231 gain (loss) relates to.

Line 7

Other Income (Loss)

Use line 7 to report other items of income, gain, or loss not included on lines 1–6. If the partnership has more than one activity identify on an attachment the amount and the activity to which each amount relates.

Items to be reported on line 7 include:

- Gains from the disposition of farm recapture property (see Form 4797) and other items to which section 1252 applies.
- Gains from the disposition of an interest in oil, gas, geothermal, or other mineral properties (section 1254).
- Recoveries of bad debts, prior taxes, and delinquency amounts (section 111).
- Gambling gains and losses (subject to the limitations in section 165(d)).
- Any income, gain, or loss to the partnership under section 751(b).
- Specially allocated ordinary gain (loss).
- Net gain (loss) from involuntary conversions due to casualty or theft. The amount for this line is shown on **Form 4684**, Casualties and Thefts, Section B, line 20a, 20b, or 21.

Each partner's share must be entered on Schedule K-1. Give each partner a schedule that shows the amounts to be reported on the partner's Form 4684, Section B, line 16, columns (b)(i), (b)(ii), and (c).

Note: *If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income-producing purposes, notify the partner. The partnership should not complete Form 4684 for this type of casualty or theft. Instead, each partner will complete his or her own Form 4684.*

Deductions

Note: *Do not include in the amounts shown on lines 8–11 qualified expenditures to which an election under section 59(e) applies. See the instructions for line 18a, for more information on where to report these amounts.*

Line 8

Charitable Contributions

Enter the total amount of charitable contributions made by the partnership during its tax year on Schedule K. Enter each partner's distributive share on Schedule K-1. Attach an itemized list to each schedule that shows the amount subject to the 50%, 30%, and 20% limitations.

If the partnership made a qualified conservation contribution under section 170(h), include the fair market value of the underlying property before and after the donation and describe the conservation purpose furthered by the donation. Give a copy of this information to each partner.

If the partnership contributed property and the aggregate amount of the claimed value exceeds $500, **Form 8283,** Noncash Charitable Contributions, must be completed and attached to Form 1065. The partnership must give a copy of its Form 8283 to every partner if the value of an item or group of similar items of contributed property exceeds $5,000 even though the amount allocated to each partner is $5,000 or less. For property valued at $5,000 or less, the partnership does not have to furnish the partners with its Form 8283. Instead, it should pass through each partner's share of the fair market value of contributed property so the partners will be able to complete their own Forms 8283. See the Instructions for Form 8283 for additional information.

Line 9

Expense Deduction for Recovery Property

A partnership may elect to expense part of the cost of certain property that the partnership purchased this year for use in its trade or business ("section 179 property"). See Pub. 534 for a definition of what kind of property qualifies for the section 179 deduction.

Note: *The section 179 expense should not be claimed as a deduction by the partnership. Instead, the partnership should show the total section 179 expense on Schedule K, line 9, and show each partner's allocable share on Schedule K-1 (Form 1065), line 9. Line 9 of Schedule K-1 should not be completed for any partner that is an estate or trust.*

The partnership must specify on an attachment to Schedule K-1 the item(s) of section 179 property which it elects to treat as an expense, the portion of the cost of each item which is being treated as an expense, the portion of the cost of each item which is being treated as a carryover amount, and the partner's allocable share of the partnership's section 179 expense for the taxable year. The partnership must also complete Part I of Form 4562 and attach it to Form 1065. See Form 4562 for more information.

See the instructions for line 18b, item e, for any recapture of a section 179 amount.

Note: *Generally, for section 179 property placed in service after 1986, the amount the partnership may elect to expense is limited to $10,000. The $10,000 limit is reduced by the amount of section 179 property placed in service during the taxable year which exceeds $200,000. The section 179 deduction for a partnership is further limited to the partnership's aggregate taxable income (computed without regard to the section 179 deduction) from the active conduct of any trade or business during the taxable year. Any amount which (but for the taxable income limitation)*

would have been allowed as a deduction is carried forward to a future year (section 179(b)(3)(B)).

Line 10

Deductions Related to Portfolio Income

Enter on this line expenses allocable to portfolio income other than interest expense and section 212 expenses reported to the partnership from its interest in a REMIC. Generally, expenses related to portfolio income are miscellaneous itemized deductions to the partner and are subject to the 2% limitation of section 67. If, however, any of the expenses reported on line 10 are not subject to the 2% limitation, identify those expenses on an attachment to Schedule K-1.

Generally, interest expense related to portfolio income is investment interest expense and should be reported as a separate item on line 16a of Schedules K and K-1, instead of line 10. Section 212 expenses from the partnership's interest in a REMIC are reported on line 4f of Schedules K and K-1.

Note: *The 1986 Act repealed the deduction allowed under section 212 for expenses allocable to a convention, seminar, or similar meeting. Because these expenses are not deductible by partners, partnerships should not report them on Form 1065, page 1, or on Schedule K-1.*

Line 11

Other Deductions

Use line 11 to report deductions not included on lines 8–10. On an attachment identify the amount and the activity (if the partnership has more than one activity) to which the amount relates.

Items to be reported on line 11 include:

a. Amounts paid by the partnership that would be itemized deductions on any of the partners' income tax returns if they were paid directly by a partner for the same purpose. However, do not enter expenses related to portfolio income or investment interest expense on this line.

If there was a loss from an involuntary conversion due to casualty or theft of income-producing property, include in the total amount for this line the relevant amount from Form 4684, Section B, line 14.

b. Any penalty on early withdrawal of savings.

c. Soil and water conservation expenditures (section 175).

d. Expenditures which the partnership has elected to treat as a current expense for the removal of architectural and transportation barriers to the elderly and handicapped (section 190).

e. Any amounts paid during the taxable year for insurance which constitutes medical care for a partner, a partner's spouse, and a partner's dependents. Under the provisions of section 162(m), a partner is allowed a deduction equal to 25% of such amounts. The deduction is claimed on line 26 of Form 1040.

f. Payments for a partner to an IRA, Keogh, or SEP.

If there is a defined benefit plan (Keogh), attach to the Schedule K-1 for each partner a statement showing the amount of benefit accrued for the tax year.

g. Skybox or other private luxury box seat rental expenses subject to limitation under section 274(l)(2). If the partnership leases a skybox or other private luxury box for more than one event, the rental expense is limited under section 274(l)(2) to the face value of nonluxury seat tickets generally held for sale to the public multiplied by the number of seats in such box. The 80% limit of section 274(n) then applies to this reduced amount. The restriction of section 274(l)(2) is phased in over a 3 year period.

Unless the partnership knows the beginning date of a partner's tax year, the attachment for line 11, item f, must show each partner's share of the deductible amount under tax law provisions effective for tax years beginning in 1988 and the deductible amount under tax law provisions effective for tax years beginning in 1989. If a partner's tax year is known, it is only necessary to report the deductible amount for the partner's tax year.

Credits

Lines 12b, 12c, 12d, 12e, and 13.—Lines 12b, 12c, 12d, and 12e have been added to Schedule K-1 to help partners apply the passive activity limitations of section 469. These lines relate to rental activities. Use line 13 to report credits related to trade or business activities.

Do not enter an amount on Schedule K-1 for lines 12c, 12d, 12e, and 13. Instead, report the required information to the partner on an attached schedule and write "see attached" in column (b) of the applicable line of Schedule K-1. Provide on the attachment the line number of Schedule K-1 (12c, 12d, 12e, or 13) to which the information relates. If the partnership has more than one activity identify the amounts for lines 12b–13 from each activity.

Line 12b. Low-income housing credit.—Section 42 provides a credit that may be claimed by owners of low-income residential rental buildings. The credit is generally effective for buildings placed in service after 1986. If the partners are eligible to compute the low-income housing credit, complete and attach **Form 8586**, Low-Income Housing Credit, and **Form 8609**, Low-Income Housing Credit Allocation Certification, to Form 1065. **Note:** *No low-income housing credit can be determined with respect to any building for which any person has been allowed any benefit under 1986 Act section 502 (relating to the transitional exception rule for low-income housing).*

Report on line 12b(1) the total low-income housing credit with respect to which a partnership is to be treated under section 42(j)(5) as the taxpayer to which the low-income housing credit was allowed. Report any other low-income housing credit on line 12b(2).

Line 12c. Qualified rehabilitation expenditures related to rental real estate activities.—Attach to each partner's Schedule K-1 a schedule showing the amount to be reported on Form 3468. Use the format shown in the instructions for line 13 relating to the investment tax credit.

Line 12d. Credits related to rental real estate activities other than 12b and 12c.—Report any information which the partners need to figure credits related to a rental real estate activity, other than the low-income housing credit and the rehabilitation tax credit. Attach to each partner's Schedule K-1 a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 12e. Credits related to other rental activities.—Use this line to report information which the partners need to figure credits related to a rental activity other than a rental real estate activity. Attach to each partner's Schedule K-1 a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 13. Other credits.—Enter on an attached schedule each partner's allocable share of any credit or credit information which is related to a trade or business activity.

Examples of credits that can be reported on lines 12d, 12e, and 13 (depending on the activity to which they relate) are the following:

a. Credits which are figured at the partnership level and then apportioned to partners. These include:

- Jobs Credit. Complete and attach Form 5884 to Form 1065. This credit is apportioned among the partners according to their interest in the partnership at the time the wages on which the credit is computed were paid or accrued.
- Credit for Alcohol Used as Fuel. Complete and attach Form 6478 to Form 1065. This credit is apportioned to persons who were partners on the last day of the partnership's tax year. The credit must be included on page 1, line 7, of Form 1065. See section 40 for an election the partnership can make to not have the credit apply.
- Nonconventional Source Fuel Credit. The credit is figured at the partnership level and then is apportioned to persons who are partners in the partnership on the last day of the partnership's tax year. Attach a separate schedule to the return to show the computation of the credit. See section 29 for more information.
- Unused Credits From Cooperatives. The unused credits are apportioned to persons who are partners in the partnership on the last day of the partnership's tax year. Attach a statement to Schedule K-1 to show each partner's share of each unused credit.
- Orphan Drug Credit and Credit for Increasing Research Activities. Complete and attach **Form 6765**, Credit for Increasing Research Activities.
- The credit allowed under section 34 for the sum of the amounts payable to the partnership under sections 6420 and 6427 (with respect to certain fuel excise taxes).

b. Credits which are figured by the partner rather than by the partnership. These include:

- Investment Tax Credit. Complete and attach Form 3468 to Form 1065. See Form 3468 and the related instructions

for information on eligible property and the lines on Form 3468 to complete. Do not include that part of the cost of the property the partnership has elected to expense under section 179. Attach to each Schedule K-1 a separate schedule in the format shown below detailing each partner's share of any regular investment credit property. Use a similar format for reporting information regarding qualified energy property and qualified rehabilitation expenditures. Also indicate the lines of Form 3468 on which the partners should report these amounts.

Property Eligible for Investment Credit

Regular Percentage	Cost or other basis of new recovery property	a 3-Year	
		b Other	
	Cost or other basis of used recovery property	a 3-Year	
		b Other	

Self-Employment

Note: *If the partnership is an options dealer or a commodities dealer, see section 1402(i) before completing lines 14a, b, and c, to determine the amount of any adjustment that may have to be made to the amounts shown on the Worksheet for Figuring Net Earnings (Loss) From Self-Employment. If the partnership is engaged solely in the operation of a group investment program, earnings from the operation are not self-employment earnings for either general or limited partners.*

Worksheet Instructions

Lines 1b, 4b, and 6b.—Allocate the amounts on these lines in the same way Form 1065, page 1, line 21, is allocated to these particular partners.

Line 2.—Include in the amount on line 2 any guaranteed payments to partners reported on Schedules K and K-1, line 5. Also include other ordinary income and expense items (other than expense items subject to separate limitations at the partner level, such as the section 179 deduction) reported on Schedules K and K-1 that are used to compute self-employment earnings under section 1402.

Note: *Amounts paid for health insurance costs of self-employed individuals are not deductible in computing net income from self-employment.*

Line 3.—For purposes of this line only, do not enter an amount in parentheses.

Worksheet for Figuring Net Earnings (Loss) From Self-Employment

1	a Ordinary income (loss) (Form 1065, page 1, line 21)	1a	
	b Part allocated to partners who are estates, trusts, corporations, exempt organizations, IRAs, or limited partners	1b	
	c Subtract line 1b from line 1a. (If line 1a is a loss, reduce line 1a by the amount on line 1b.)	1c	
2	Guaranteed payments to partners included on Schedules K-1, line 5	2	
3	Net loss from Form 4797 (Form 1065, page 1, line 6)	3	
4	a Total (add lines 2 and 3)	4a	
	b Part allocated to partners who are estates, trusts, corporations, exempt organizations, IRAs, or limited partners	4b	
	c Subtract line 4b from line 4a	4c	
5	Add lines 1c and 4c. (If line 1c is a loss, reduce line 1c by the amount on line 4c.)	5	
6	a Net gain from Form 4797 (Form 1065, page 1, line 6)	6a	
	b Part allocated to partners who are estates, trusts, corporations, exempt organizations, IRAs, or limited partners	6b	
	c Subtract line 6b from line 6a	6c	
7	a Subtract line 6c from line 5. (If line 5 is a loss, increase the loss on line 5 by the amount on line 6c.)	7a	
	b Guaranteed payments to individual general partners included on line 2 above. Include on line 14a of the applicable individual general partner's Schedule K-1	7b	
	c Subtract line 7b from line 7a. (If line 7a is a loss, increase the loss on line 7a by the amount on line 7b.) Include each individual general partner's share on line 14a of Schedule K-1. Add this amount to any amount from line 7b of this worksheet	7c	
8	Guaranteed payments to individual limited partners included on line 2 above. Enter here and on the applicable partner's Schedule K-1, line 14a	8	
9	Net earnings (loss) from self-employment. Add lines 7b, 7c, and 8. (If line 7c is a loss, reduce the loss on line 7c by the total of the amounts on lines 7b and 8.) Enter here and on Schedule K, line 14a	9	

Line 14a

Net Earnings (Loss) From Self-Employment

Schedule K. Enter on line 14a the amount from line 9 of the worksheet.

Schedule K-1. Do not complete this line for any partner that is an estate, trust, corporation, exempt organization, or Individual Retirement Arrangement (IRA).

Enter on line 14a of Schedule K-1 each individual general partner's share of the amount shown on line 7c of the worksheet. To figure each individual general partner's share of the amount on line 7c, multiply the amount on line 7c by the percentage you get when you divide each individual general partner's share of the partnership's ordinary income (loss) (line 1 of Schedule K-1) by the total partnership ordinary income (loss) (line 1 of Schedule K-1) for all the individual general partners. Enter the amount shown on line 7b of the worksheet on the applicable individual general partner's Schedule K-1, line 14a. Add it to the partner's share of the amount on line 7c of the worksheet.

If a partner is both a general and a limited partner, add that partner's share of the amount on lines 7b and 7c to that partner's share of the amount on line 8 and enter the total on line 14a of that partner's Schedule K-1.

Limited partners.—A limited partner's share of partnership ordinary income (loss) shown on line 1 of Schedules K and K-1 is not self-employment income. Limited partners may treat as self-employment income only guaranteed payments for services they actually rendered to, or on behalf of, the partnership to the extent that those payments are payment for those services (line 8 of the worksheet). Show only these amounts on line 14a of Schedule K-1 for a limited partner.

General partners.—General partners' net earnings (loss) from self-employment do not include:

- Dividends on any share(s) of stock and interest on any bonds, debentures, notes, etc., unless the dividends or interest are received in the course of a trade or business, such as a dealer in stocks or securities or interest on notes or accounts receivable.
- Rentals from real estate, except rentals received in the course of a trade or business as a real estate dealer or payments for rooms or space when substantial services are provided.
- Royalty income, except royalty income received in the course of a trade or business.

See the instructions for Schedule SE (Form 1040) for more information.

Line 14b

Gross Farming or Fishing Income

Enter the gross farming or fishing income needed by an individual partner to figure self-employment income under the optional method.

Line 14c

Gross Nonfarm Income

Enter the gross nonfarm income needed by an individual partner to figure self-employment income under the optional method.

Tax Preference Items

Lines 15a through 15f

Lines 15a–15f must be completed whether or not a partner is subject to the alternative minimum tax.

Enter items of income and deductions that are tax preference items. See **Form 6251**, Alternative Minimum Tax—Individuals, **Form 4626**, Alternative Minimum Tax—Corporations, **Form 8656**, Alternative Minimum Tax—Fiduciaries, and **Pub. 909**, Alternative Minimum Tax, to determine the amounts to enter and for other information.

Do not include as a tax preference item any qualified expenditures to which an election under section 59(e) may apply. Because these expenditures are subject to an election by each partner, the partnership cannot compute the amount of any tax preference related to them. Instead, the partnership must pass through to each partner the information needed to compute the deduction. Each partner computes both the deduction the partner will claim and the resulting tax preference amount, if any.

If a partnership elected to use the new depreciation system for property placed in service after 7/31/86 and before 1/1/87, it should use line 15c to report the preference amount for that property. See Form 4562 for an explanation of the new depreciation system.

Line 15c. Depreciation Adjustment on Property Placed in Service After 12/31/86.—Refigure depreciation as follows. For property other than real property and property on which the straight line method was used, use the 150 percent declining balance method, switching to straight line for the first tax year when that method gives a better result. Use the class life (instead of the recovery period) and the same conventions that you used on Form 4562. For personal property having no class life, use 12 years. For residential rental and nonresidential real property, use the straight line method over 40 years. Determine the depreciation adjustment by subtracting the recomputed depreciation from the depreciation claimed on Form 4562. If the recomputed depreciation exceeds the depreciation claimed on Form 4562, enter the difference as a negative amount. See Form 6251 for more information.

Line 15d. Depletion.—Do not include any depletion on oil and gas wells. The partners must compute both their depletion deduction and their depletion preference item separately.

In the case of mines, wells, and other natural deposits, other than oil and gas wells, enter the amount by which the deduction for depletion under section 611 (including percentage depletion for geothermal deposits) is more than the adjusted basis of such property at the end of the tax year. Figure the adjusted basis without regard to the depletion deduction for the taxable year and figure the excess separately for each property.

Lines 15e(1) and 15e(2).—Enter only the income and deductions for oil, gas, and geothermal properties that are used to figure the partnership's ordinary income or loss (line 21 of Form 1065). If there are items of income or deduction for oil, gas, and geothermal properties included in the amounts that are required to be passed through separately to the partners on Schedule K-1 (items not reported in line 1 of Schedule K-1), give each partner a schedule identifying these amounts.

Figure the amount for lines 15e(1) and (2) separately for oil and gas properties which are not geothermal deposits and for all properties which are geothermal deposits.

Give each partner a schedule that shows the separate amounts that are included in the computation of the amounts on lines 15e(1) and (2).

Line 15e(1). Gross Income From Oil, Gas, and Geothermal Properties.—Enter the aggregate amount of gross income (within the meaning of section 613(a)) from all oil, gas, and geothermal properties that was received or accrued during the tax year and included on page 1, Form 1065.

Line 15e(2). Deductions Allocable to Oil, Gas, and Geothermal Properties.—Enter the amount of any deductions allocable to oil, gas, and geothermal properties reduced by the excess intangible drilling costs that were included on page 1, Form 1065, on properties for which the partnership made the election to expense intangible drilling costs in tax years beginning before January 1, 1983. Do not include on line 15e nonproductive well costs or the amount shown on line 16b, page 1, Form 1065. Instead, use any applicable amount on line 16c, page 1, Form 1065.

See Form 6251 for information on how to compute excess intangible drilling costs.

Line 15f. Other.—Attach a schedule which shows each partner's share of other items not shown on lines 15a through 15e(2) that are tax preference items or that the partner needs to complete Form 6251, Form 4626, or Form 8656. See these forms and their instructions to determine the amount to enter.

Other tax preference items or adjustments include the following.

- Completed contract method of accounting for long-term contracts entered into after February 28, 1986, regardless of whether or not the use of this method is allowable in computing taxable income.
- Installment sales of inventory or stock in trade after 3/1/86.
- Losses from passive activities. Passive activity losses are not allowed in computing alternative minimum taxable income. In order to compute alternative minimum tax, partners adjust their passive activity income or loss by other preference items included in that passive activity amount. The partnership, therefore, must identify for each passive activity the amount of any other preference items included in the partner's passive activity income or loss.
- Losses from passive farming activities. No loss from any tax shelter farm activity is allowed for alternative minimum tax purposes.
- Charitable contributions of appreciated property. Provide the partners with the amount of difference between their allocable share of the fair market value of capital gain property donated to a charitable organization, and their allocable share of the partnership's adjusted basis in the donated property.

Investment Interest

Lines 16a through 16b(2)

Lines 16a–16b(2) must be completed whether or not a partner is subject to the investment interest rules.

Line 16a. Investment Interest Expense.—Include on this line interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Interest expense allocable to portfolio income should be reported on line 16a of Schedule K-1 (rather than line 10 of Schedule K-1).

Property held for investment includes a partner's interest in a trade or business activity that is not a passive activity to the partner and in which the partner does not materially participate. An example would be a partner's working interest in oil and gas property (where the partner's interest is not limited) if the partner does not materially participate in the oil and gas activity.

Investment interest does not include interest expense allocable to a passive activity.

The amount on line 16a will be deducted (after applying the investment interest expense limitations of section 163(d)) by individual partners on their Form 1040.

For more information, see **Form 4952**, Investment Interest Expense Deduction.

Lines 16b(1) and 16b(2). Investment Income and Expenses.—Enter on line 16b(1) only the investment income included on line 4 of Schedule K-1. Enter on line 16b(2) only the investment expense included on line 10 of Schedule K-1.

If there are items of investment income or expense included in the amounts that are required to be passed through separately to the partner on Schedule K-1 (items other than the amounts included in lines 4 and 10 of Schedule K-1), give each partner a schedule identifying these amounts.

Investment income includes gross income from property held for investment, gain attributable to the disposition of property held for investment, and other amounts that are gross portfolio income. Investment income and investment expenses do not include any income or expenses from a passive activity.

Property subject to a net lease is not treated as investment property because it is subject to the passive loss rules. Do not reduce investment income by losses from passive activities.

Investment expenses are deductible expenses (other than interest) directly

connected with the production of investment income. See the instructions for Form 4952 for more information on investment income and expenses.

Foreign Taxes

Lines 17a through 17g

Lines 17a–17g must be completed whether or not a partner is eligible for the foreign tax credit.

In addition to the instructions below, see the following for more information:

- **Form 1116,** Computation of Foreign Tax Credit—Individual, Fiduciary, or Nonresident Alien Individual, and the related instructions.
- **Form 1118,** Computation of Foreign Tax Credit—Corporations, and the related instructions.
- **Pub. 514,** Foreign Tax Credit for U.S. Citizens and Resident Aliens.

Line 17a. Type of Income.—Enter the type of income as follows:

- Passive income
- High withholding tax interest
- Financial services income
- Shipping income
- Dividends from an IC-DISC or former DISC
- Distributions from a foreign sales corporation (FSC) or former FSC
- Dividends from *each* noncontrolled section 902 corporation
- Taxable income attributable to foreign trade income (within the meaning of section 923(b))
- General limitation income— all other income from sources outside the United States (including income from sources within U.S. possessions)

If, for the country or U.S. possession shown on line 17b, the partnership had **more than one** type of income, enter "**More than one type**" and attach a schedule for each type of income for lines 17b through 17g.

Line 17b. Name of Foreign Country or U.S. Possession.—Enter the name of the foreign country or U.S. possession. If, for the type of income shown on line 17a, the partnership had income from, or paid taxes to, **more than one** foreign country or U.S. possession, enter "**More than one foreign country or U.S. possession**" and attach a schedule for each country for lines 17a and 17c through 17g.

Line 17c. Gross Income From Sources Outside the United States.—Enter in U.S. dollars the total gross income from sources outside the United States. Attach a schedule that shows the amounts of the following types of income:

- Passive income
- High withholding tax interest
- Financial services income
- Shipping income
- Dividends from an IC-DISC or former DISC
- Distributions from a foreign sales corporation (FSC) or former FSC
- Dividends from *each* noncontrolled section 902 corporation
- Taxable income attributable to foreign trade income (within the meaning of section 923(b))
- General limitation income— all other income from sources outside the United States (including income from sources within U.S. possessions).

See section 904(d) for types of income that must be reported to partners for figuring their foreign tax credit.

Line 17d. Applicable Deductions and Losses.—Enter in U.S. dollars the total applicable deductions and losses. Attach a schedule that shows each type of deduction or loss as follows:

- expenses directly allocable to each type of income;
- pro rata share of all other deductions not directly allocable to specific items of income; and
- pro rata share of losses from other separate limitation categories.

Line 17e. Foreign Taxes Paid or Accrued.—Enter in U.S. dollars the total foreign taxes (described in section 901) that were paid or accrued by the partnership to foreign countries or U.S. possessions. Attach a schedule that shows the date(s) the taxes were paid or accrued, and the amount in both foreign currency and in U.S. dollars, as follows:

- taxes withheld at source on dividends;
- taxes withheld at source on rents and royalties; and
- other foreign taxes paid or accrued.

Line 17f. Reduction in Taxes Available for Credit.—Enter in U.S. dollars, the total reduction in taxes available for credit. Attach a schedule that shows separately the:

- reduction for foreign mineral income (section 901(e));
- reduction for failure to furnish returns required under section 6038;
- reduction for taxes attributable to boycott operations (section 908);
- reduction for foreign oil and gas extraction income (section 907(a)); and
- reduction for any other items (specify).

Line 17g. Other.—Enter in U.S. dollars any items not covered on lines 17c, 17d, 17e, and 17f, such as taxable income (loss) of foreign branches from sources outside the United States for corporate partners (Form 1118, Schedule A).

Other

Line 18a

Enter on line 18a the total qualified expenditures (and the applicable period) paid or incurred during the tax year to which an election under section 59(e) may be applicable. Enter this amount for all partners whether or not a partner is permitted to make an election under section 59(e).

Generally, section 59(e) allows partners to deduct ratably over 10 years (or 3 years in the case of circulation expenditures) otherwise deductible circulation expenses, research and experimental expenditures, intangible drilling and development costs, development expenses, and mining exploration expenditures. If a partner makes this election, these items are not treated as tax preference items.

Because partners are generally allowed to make this election, the partnership cannot deduct these amounts or include them as tax preference items on Schedule K-1. Instead, the partnership passes through the information that partners need to compute their separate deduction.

Attach a schedule showing separately the amount of each type of expense included in the total shown on line 18a. Do not include amounts paid or incurred in prior tax years.

Line 18b

Do not put an amount on this line. Instead, enter on an attached statement the description and amount of each partner's share of each of the items listed in **a** through **m**, below. Identify the activity to which the amount relates if the partnership has more than one activity. Show income or gains as a positive number. Show losses in parentheses.

a. Taxes paid on undistributed capital gains by a regulated investment company. As a shareholder of a regulated investment company, the partnership will receive notice on **Form 2439,** Notice to Shareholder of Undistributed Long-Term Capital Gains, that the company paid tax on undistributed capital gains.

b. The number of gallons of each fuel used during the tax year and the appropriate tax rate for each type of use identified on **Form 4136,** Computation of Credit for Federal Tax on Fuels, and in the related instructions. Each partner's share of the credit for qualified diesel-powered highway vehicles as shown on Form 4136.

c. The partner's share of gross income from each property, share of production for the tax year, etc., needed to figure the partner's depletion deduction for oil and gas wells. The partnership should also allocate to each partner a proportionate share of the adjusted basis of each partnership oil or gas property. The allocation of the basis of each property is made as specified in section 613A(c)(7)(D).

The partnership cannot deduct depletion on oil and gas wells. The partner must determine the allowable amount to report on his or her return. See Pub. 535 for more information.

d. Tax-exempt interest income, including exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

e. Recapture of expense deduction for recovery property (section 179). For property placed in service after 1986, the section 179 deduction is recaptured at any time the business use of the property drops to 50% or less. Enter the amount that was originally passed through to the partners and the partnership's tax year in which the amount was passed through. Tell the partner if the recapture amount was caused by the disposition of the recovery property. Do not include this amount in the partnership's income.

f. Any items the partners need to determine the basis of their interest for purposes of section 704(d) because Schedule M and Question K on Schedule K-1 are not completed; or any items (other than those shown on Question B) the partners need to figure their amount at risk.

g. Any information or statements the partners need to comply with section 6111, and section 6661.

h. The partner's share of farm production expenses, if the partnership is not required to use the accrual method of accounting. See temporary regulations section 1.263A-1T(c).

i. Any information needed by a partner to compute the interest due under section 453(l)(3). If the partnership elected to report the disposition of certain timeshares and residential lots on the installment method, each partner's tax liability must be increased by the partner's allocable share of the interest on tax attributable to the installment payments received during the taxable year.

j. Any information needed by a partner to compute the interest due under section 453A(c). If an obligation arising from the disposition of property to which section 453A applies is outstanding at the close of the year, each partner's tax liability must be increased by the tax due under section 453A(c) on the partner's allocable share of the tax deferred under the installment method.

k. The information needed by a partner to compute the partner's allocable share of any interest due or to be refunded under the look-back method of section 460(b)(3) on long-term contracts entered into after February 28, 1986, that are accounted for under either the percentage of completion-capitalized cost method or the percentage of completion method. Except for certain small construction contracts under section 460(e), the partnership must provide the information specified in the instructions for Form 8697 for each tax year in which such a long-term contract is completed.

l. Any information needed by a partner relating to interest expense that the partner is required to capitalize. Under section 263A a partner may be required to capitalize interest expense incurred by the partner during the tax year with respect to the production expenditures of the partnership. Similarly, interest incurred by a partnership may have to be capitalized by a partner with respect to the partner's own production expenditures. The information required by the partner to properly capitalize interest for this purpose shall be provided in an attachment to Schedule K-1. See Notice 88-99, 1988-36 I.R.B. 29 for more information.

m. Any other information a partner may need to file his or her return that is not shown anywhere else on Schedule K-1. For example, if there is a pension plan that is a partner, special information may be needed by that partner to properly file its tax return.

Recapture of Tax Credits

Line 19. (Schedule K-1 only) Low-income housing credit.—Enter each partner's share of any low-income housing credit recapture under section 42(j). If there has been a decrease in the qualified basis of a building from the prior year or if the partnership disposed of the building or of an ownership interest in it, the partnership may be required to recapture part of a credit claimed in a prior year. If recapture applies, the partnership must attach **Form 8611,** Recapture of Low-Income Housing Credit, to Form 1065.

See the instructions for Form 8611 regarding the specific information that the partnership must provide to each partner when recapture is required. **Note:** *In certain instances, a transaction by a partner may result in recapture at the partner level. In such cases, the partnership will be required to provide the partner with the information that the partner needs in order to correctly compute the recapture amount. See Form 8611 for details.*

Report on line 19a the total low-income housing credit recapture with respect to a partnership that is treated under section 42(j)(5) as the taxpayer to which the low-income housing credit was allowed. Report any other low-income housing credit recapture on line 19b.

If the partnership has posted a bond as provided in section 42(j)(6) in order to avoid recapture, no entry should be made on line 19 of Schedule K-1. Instead, the partnership must attach a copy of the approved **Form 8693,** Low-Income Housing Credit Disposition Bond, to Form 1065. Enter the words "Form 8693 attached" to the left of the entry space for line 12b(2) of Schedule K.

See Form 8586, Form 8611, Form 8693, and section 42 for more information.

Lines 20a–20e (Schedule K-1 only) Investment tax credit property subject to recapture.—Complete line 20 when regular or energy investment credit property is disposed of, ceases to qualify, or there is a decrease in the percentage of business use before the end of the "life-years category" or "recovery period" assigned. Lines 20a–20e must be completed whether or not a partner is subject to the recapture of investment credit. For more information, see **Form 4255,** Recapture of Investment Credit, and Pub. 572.

Line 19a. Analysis of total distributive income/payment items (Schedule K only).—Enter on line 19a the sum of the amounts shown on lines 1 through 7 of Schedule K.

Line 19b. Analysis of total distributive income/payment items by type of partner (Schedule K only).—For each type of partner shown, enter the portion of the amount shown on line 19a of Schedule K that was allocated to that type of partner. The sum of the amounts shown on line 19b must equal the amount shown on line 19a.

In classifying partners who are individuals as "active" or "passive," the partnership should apply the following rules.

1. If the partnership's principal activity is a trade or business activity, classify a general partner as "active" if the partner materially participated in all partnership trade or business activities; otherwise, classify a general partner as "passive."

2. If the partnership's principal activity consists of a working interest in an oil or gas well, classify a partner holding a working interest in the oil or gas well through an entity that does not limit the partner's liability as "active," otherwise, classify the partner as "passive."

3. If the partnership's principal activity is a rental real estate activity, classify a general partner as "active" if the partner actively participated in all of the partnership's rental real estate activities; otherwise, classify a general partner as "passive."

4. If the partnership's principal activity is a portfolio activity, classify all partners as "active."

5. Classify all limited partners and all partners in a partnership whose principal activity is a rental activity other than a rental real estate activity as "passive."

6. If the partnership cannot make a reasonable determination as to whether or not a partner's participation in a trade or business activity is material or whether or not a partner's participation in a rental real estate activity is active, classify the partner as "passive."

In applying the above rules, a partnership should classify each partner to the best of its knowledge and belief. It is assumed that in most cases the level of a particular partner's participation in an activity will be apparent.

Computation Schedule for Required Payment Under Section 7519

Attach this schedule to Form 720.

Name of partnership	Identifying number

1	Net income for base year (section 7519(d)) (not less than zero)	1	
2	Applicable payments (section 7519(d)) made during base year	2	
3	Base year deferral ratio (number of months in deferral period over number of months in tax year) expressed as a percentage	3	%
4	Line 1 deferred amount—Line 1 times percentage on line 3	4	
5	Line 2 deferred amount—Line 2 times percentage on line 3	5	
6	Applicable payments made during the deferral period of the base year	6	
7	Net line 2 deferred amount—Line 5 less line 6 (but not less than zero)	7	
8	Net base year income—Add lines 4 and 7	8	
9	Enter the adjusted highest section 1 tax rate percentage (Generally, for applicable election years beginning in 1988, the percentage is 29% (28% plus 1%).)	9	%
10	Applicable percentage (for applicable election years beginning in 1988, the percentage is 50%)	10	%
11	Section 7519(b)(1) percentage—Line 9 times percentage on line 10	11	%
12	Current year required payment—Line 8 times the percentage on Line 11. (If this amount is more than $500, enter it here and on Form 720, IRS No. 11. If the amount is $500 or less, enter it here and enter zero on Form 720, IRS No. 11. Attach this computation schedule to Form 720. See instructions for line 12 below for obtaining a refund of prior year payments.)	12	

General Instructions for Section 7519 Computation Schedule

Required payment.—If the partnership filed Form 8716 to elect under section 444 to have a fiscal tax year and its election is still in effect, the partnership must make a required payment as provided by section 7519. Any tax year during which the election is in effect is hereinafter referred to as the "applicable election year." Willful failure of the partnership to make the required payment may result in the cancellation of the partnership's section 444 election. If the partnership's election is in effect for the current year, use the above computation schedule to figure the required payment. See the instructions for line 12 of the worksheet for details on when and how to report and pay the required payment.

If the partnership made a required payment for its 1987 tax year, see the instruction below for "Obtaining refund or credit of prior year payment."

Line-by-line Instructions

Note: *If the partnership has a base year of less than 12 months (a short base year), the partnership must figure its net base year income (lines 1 through 8 of the worksheet) under the special rule of temporary regulations section 1.7519-1T(b)(5)(v). See this regulation for additional details.*

Line 1. Net income for base year.—The base year is the tax year preceding the applicable election year. For example, if you are completing the worksheet for your tax year beginning 4-1-88 and ending 3-31-89, your base year is your tax year beginning 4-1-87 and ending 3-31-88.

If an applicable election year is the partnership's first year of existence (i.e., it is a newly formed partnership and therefore does not have a base year), the required payment for such applicable election year is zero. See the instructions for line 12 below for how to report payments of less than $500. Line 1 net income is the aggregate of the partnership's items of income and expense (but not less than zero) described in section 702(a) (other than credits and tax-exempt income). For purposes of figuring line 1, any limitation on the amount of any item described in section 702(a) which may be taken into account for purposes of figuring the taxable income of the partner shall be disregarded.

Line 2. Applicable payments.—In general, applicable payments means any amount deductible in the base year that is includible at any time, directly or indirectly, in the gross income of any partner that was a partner during the base year. Examples of applicable payments are guaranteed payments and rental payments made to any partner.

Line 3. Base year deferral ratio.—The deferral period is that period consisting of the months between the beginning of the elected tax year and the close of the first required tax year ending within the elected tax year.

Line 10. Applicable percentage.—Generally, for applicable election years beginning in 1988, the applicable percentage is 50%.

Line 12. Current year required payment.—If the line 12 amount is more than $500, report it on Form 720, IRS No. 11, attach the worksheet to Form 720, and complete the remainder of Form 720 based on the instructions for Form 720.

When required payments are due (or zero amounts reported).—For applicable election years beginning in 1988, the required payment must be made (or zero amount reported) on or before May 15, 1989. The payment may be remitted with Form 720 or deposited with FTD deposit coupons. If you remit the payment with Form 720, you must pay by check or money order, and write the partnership's identification number and "IRS No. 11 Payment" on the check or money order.

Obtaining refund or credit of prior year payment.—To obtain a refund or credit of a required payment made for the preceding tax year, enter the prior year payment on line 4d, Part II, of Form 720, and complete the remainder of Form 720 based on the instructions for Form 720.

Note: *A claim for refund of a prior year's required payment cannot be filed before April 15 of the tax year following the tax year for which the payment was made (see regulations section 1.7519-2T(a)(6)).*

Codes for Principal Business Activity and Principal Product or Service

These codes for the Principal Business Activity are designed to classify an enterprise by the type of activity in which it is engaged to facilitate the administration of the Internal Revenue Code. Though similar in format and structure to the Standard Industrial Classification Codes (SIC), they should not be used as SIC codes.

Using the list below, enter on page 1, Question C, the code for the specific industry group for which the largest percentage of "total assets (Schedule L, line 13, column D)" is used.

In Question A, state the principal business activity. In Question B, state the principal product or service which accounts for the largest percentage of total assets. For example, if the principal business activity is "Retail food store," the principal product or service may be "dairy products."

Agriculture, Forestry, and Fishing

Code

Farms:

0120 Field crop.
0160 Vegetable and melon farms.
0170 Fruit and nut tree farms.
0180 Horticultural specialty.
0211 Beef cattle feedlots.
0212 Beef cattle, except feedlots.
0215 Hogs, sheep, and goats.
0240 Dairy farms.
0250 Poultry and eggs.
0260 General livestock (except animal specialty).
0270 Animal specialty.

Agricultural services and forestry:

0740 Veterinary services.
0753 Livestock breeding.
0754 Animal services, except livestock breeding and veterinary.
0780 Landscape and horticultural services.
0790 Other agricultural services.
0800 Forestry, except logging.
2400 Logging.

Fishing, hunting, and trapping:

0930 Commercial fishing, hatcheries, and preserves.
0970 Hunting, trapping, and game propagation.

Mining

1000 Metal mining.
1200 Coal mining.
1300 Oil and gas extraction.
1400 Nonmetallic minerals except fuel.

Construction

General building contractors and operative builders:

1510 General building contractors.
1531 Operative builders.

Heavy construction contractors:

1611 Highway and street construction.
1620 Heavy construction, except highway.

Special trade contractors:

1711 Plumbing, heating, and air conditioning.
1721 Painting, paperhanging, and decorating.
1731 Electrical work.
1740 Masonry, drywall, stone, tile.
1750 Carpentering and flooring.
1761 Roofing, siding, and sheet metal.
1771 Concrete work.
1781 Water well drilling.
1790 Other building trade contractors (excavation, glazing, etc.)

Manufacturing

2000 Food and kindred products.
2200 Textile mill products.
2300 Apparel and other textile products.
2400 Lumber and wood products, except furniture.
2500 Furniture and fixtures.
2700 Printing, publishing, and allied industries.
2800 Chemicals and allied products.
3000 Rubber and plastic products.
3100 Leather and leather products.
3200 Stone, clay, and glass products.
3300 Primary metal industries.
3400 Fabricated metal products.
3500 Machinery, except electrical.
3600 Electrical and electronic equipment.
3700 Transportation equipment.
3970 Other manufacturing industries.

Transportation, Communication, Electric, Gas, and Sanitary Services

Code

Local and interurban passenger transit:

4121 Taxicabs.
4189 Other passenger transportation.

Trucking and warehousing:

4210 Trucking (local and long distance), except trash collection.
4216 Trash collection without own dump.
4220 Public warehousing.

Other transportation including transportation services:

4400 Water transportation.
4540 Transportation by air.
4722 Passenger transportation arrangement.
4799 Other transportation services.
4800 Communication.
4900 Utilities, including dumps, snowplowing, etc.

Wholesale Trade—Selling Goods to Other Businesses, Government, or Institutions, etc.

Durable goods, including machinery, equipment, wood, metals, etc.:

5001 Selling for your own account.
5002 Agent or broker for other firms—more than 50% of gross sales on commission.

Nondurable goods, including food, fiber, chemicals, etc.:

5101 Selling for your own account.
5102 Agent or broker for other firms—more than 50% of gross sales on commission.

Retail Trade

Building materials, hardware, garden supply, and mobile home dealers:

5211 Lumber and other building materials dealers.
5231 Paint, glass, and wallpaper stores.
5251 Hardware stores.
5261 Retail nurseries and garden stores.
5271 Mobile home dealers.

General merchandise:

5331 Variety stores.
5398 Other general merchandise stores.

Food stores:

5411 Grocery stores.
5420 Meat and fish markets, freezer provisioners.
5431 Fruit stores and vegetable markets.
5441 Candy, nut, and confectionery stores.
5451 Dairy products stores.
5460 Retail bakeries.
5490 Other food stores.

Automotive dealers and service stations:

5511 New car dealers (franchised).
5521 Used car dealers.
5531 Auto and home supply stores.
5541 Gasoline service stations.
5551 Boat dealers.
5561 Recreational vehicle dealers.
5571 Motorcycle dealers.
5599 Aircraft, and other automotive dealers.

Apparel and accessory stores:

5611 Men's and boys' clothing and furnishings.
5621 Women's ready-to-wear stores.
5631 Women's accessory and specialty stores.
5641 Children's and infants' wear stores.
5651 Family clothing stores.
5661 Shoe stores.
5681 Furriers and fur shops.
5699 Other apparel and accessory stores.

Code

Furniture, home furnishings, and equipment stores:

5712 Furniture stores.
5713 Floor covering stores.
5714 Drapery, curtain, and upholstery stores.
5719 Home furnishings, except appliances.
5722 Household appliance stores.
5732 Radio and television stores.
5733 Music stores.
5734 Computer and software stores.

Eating and drinking places:

5812 Eating places.
5813 Drinking places.

Miscellaneous retail stores:

5912 Drug stores and proprietary stores.
5921 Liquor stores.
5932 Used merchandise and antique stores (except motor vehicle parts).
5941 Sporting goods stores and bicycle shops.
5942 Book stores.
5943 Stationery stores.
5944 Jewelry stores.
5945 Hobby, toy, and game shops.
5946 Camera and photographic supply stores.
5947 Gift, novelty, and souvenir shops.
5948 Luggage and leather goods stores.
5949 Sewing, needlework, and piece goods stores.
5961 Mail order houses.
5962 Merchandising machine operators.
5963 Direct selling organizations.
5983 Fuel oil dealers.
5984 Liquefied petroleum gas (bottled gas) dealers.
5989 Other fuel dealers (except gasoline).
5992 Florists.
5996 Other miscellaneous retail stores.

Finance, Insurance, and Real Estate

6000 Banking.
6100 Credit agencies other than banks.

Security and commodity brokers, dealers, exchanges, and services:

6212 Security underwriting syndicates.
6218 Security brokers and dealers, except underwriting syndicates.
6299 Commodity contracts brokers and dealers, security and commodity exchanges, and allied services.

Real estate:

6411 Insurance agents, brokers, and services.
6511 Real estate operators (except developers) and lessors of buildings.
6520 Lessors of real property other than buildings.
6531 Real estate agents, brokers, and managers.
6541 Title abstract offices.
6552 Subdividers and developers, except cemeteries.
6553 Cemetery subdividers and developers.

Holding and other investment companies:

6746 Investment clubs.
6747 Common trust funds.
6748 Other holding and investment companies.

Services

Hotels and other lodging places:

7012 Hotels.
7013 Motels, motor hotels, and tourist courts.
7021 Rooming and boarding houses.
7032 Sporting and recreational camps.
7033 Trailer parks and camp sites.

Code

Personal services:

7215 Coin-operated laundries and dry cleaning.
7219 Other laundry, cleaning, and garment services.
7221 Photographic studios and portrait studios.
7231 Beauty shops.
7241 Barber shops.
7251 Shoe repair and hat cleaning shops.
7261 Funeral services and crematories.
7291 Income tax preparation.
7299 Miscellaneous personal services.

Business services:

7310 Advertising.
7340 Janitorial and window cleaning.
7350 Equipment rental and leasing.
7370 Computer and data processing services.
7398 Other business services.

Automotive repair and services:

7510 Automotive rentals and leasing, without drivers.
7520 Automobile parking.
7538 General automobile repair shops.
7539 Other automotive repair shops.
7540 Automotive services, except repair.

Miscellaneous repair services:

7622 Radio and TV repair shops.
7628 Electrical repair shops, except radio and TV.
7641 Reupholstery and furniture repair.
7680 Other miscellaneous repair shops.

Motion picture:

7812 Other motion picture and TV film and tape activities.
7830 Motion picture theaters.
7840 Video tape rental stores.

Amusement and recreation services:

7920 Producers, orchestras, and entertainers.
7933 Bowling alleys.
7941 Professional sports clubs and promoters.
7948 Racing, including track operation.
7980 Other amusement and recreation services.
7991 Physical fitness facilities.

Medical and health services:

8011 Offices and clinics of medical doctors (MD's).
8021 Offices and clinics of dentists.
8031 Offices of osteopathic physicians.
8041 Offices of chiropractors.
8042 Offices of optometrists.
8047 Other licensed health practitioners.
8048 Registered and practical nurses.
8050 Nursing and personal care facilities.
8060 Hospitals.
8072 Dental laboratories.
8098 Other medical and health services.

Other services:

8111 Legal services.
8200 Educational services.
8351 Child day care.
8722 Certified public accountants.
8723 Other accounting, auditing, and bookkeeping services.
8740 Management, consulting, and public relations services.
8911 Engineering and architectural services.
8999 Other services, not elsewhere classified.

SCHEDULE D (Form 1065)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ For Paperwork Reduction Act Notice, see the instructions for Form 1065.

▶ Attach to Form 1065.

OMB No. 1545-0099

1988

Name of partnership

Employer identification number

Part I Short-Term Capital Gains and Losses—Assets held one year or less (six months or less if acquired before 1/1/88)

(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain (loss) ((d) minus (e))
1					

2 Short-term capital gain from installment sales from Form 6252, line 22 or 30 2

3 Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships and from fiduciaries 3

4 Net short-term capital gain (loss) from lines 1, 2, and 3. Enter each partner's share on Schedule K-1 (Form 1065), line 4d 4

Part II Long-Term Capital Gains and Losses—Assets held more than one year (more than six months if acquired before 1/1/88)

5					

6 Long-term capital gain from installment sales from Form 6252, line 22 or 30 6

7 Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships and from fiduciaries 7

8 Capital gain distributions 8

9 Net long-term capital gain (loss) from lines 5, 6, 7, and 8. Enter each partner's share on Schedule K-1 (Form 1065), line 4e 9

General Instructions

(Section references are to the Internal Revenue Code.)

Purpose of Schedule.—Use Schedule D (Form 1065) to report the sale or exchange of capital assets, except capital gains (losses) that are specially allocated to any partners.

Specially allocated capital gains (losses) received by the partnership as a partner in other partnerships and from fiduciaries are to be entered on Schedule D (Form 1065), line 3 or 7, whichever applies. Capital gains (losses) of the partnership that are specially allocated to partners should be entered on line 4d of Schedules K and K-1 (Form 1065) or line 4e of Schedules K and K-1 (Form 1065), whichever applies. Do not include these amounts on Schedule D. See the instructions for Schedules K and K-1 (Form 1065) in the Instructions for Form 1065 for more information.

General Information.—To report sales or exchanges of property other than capital assets, including the sale or exchange of property used in a trade or business and involuntary conversions (other than cas[illegible]alties and thefts), see **Form 4797,** Sales of Business Property, and related instructions.

For amounts received from an installment sale, the holding period rule in effect in the year of sale will determine the treatment of the amounts received as long-term or short-term capital gain.

Report every sale or exchange of property in detail, even though there is no gain or loss.

For more information, see **Publication 544,** Sales and Other Dispositions of Assets.

Note: *For information on liquidations of corporations, see* ***Publication 542****, Tax Information on Corporations, and Publication 544.*

Items for Special Treatment and Special Cases.—The following items may require special treatment:

- Transactions by a securities dealer.
- Wash sales of stock or securities.
- Bonds and other evidence of indebtedness.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust in which the partnership is a beneficiary, is treated as ordinary gain.
- Gain on disposition of stock in an Interest Charge Domestic International Sales Corporation or a Foreign Sales Corporation.
- Gain or loss on options to buy or sell, including closing transactions.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership which would be treated as an investment company if the partnership were incorporated.
- Transfer of property to a political organization if the fair market value of the property exceeds the partnership's adjusted basis in such property.
- Losses from the disposition of wetlands and highly erodible croplands converted to agricultural use (other than livestock grazing) after 3/1/86 are reported on Schedule D, but gains are reported on Form 4797.
- Conversion of general partnership interest into limited partnership interest in the same partnership. See Revenue Ruling 84-52, 1984-1 C.B. 157.
- Transfer of partnership assets and liabilities to a newly formed corporation in exchange for all of its stock. See Revenue Ruling 84-111, 1984-2 C.B. 88.
- Contribution of limited partnership interests in exchange for limited partnership interests in another partnership. See Revenue Ruling 84-115, 1984-2 C.B. 118.

(Continued on back)

Exchange of Like-Kind Property.—No gain or loss is recognized when property held for use in a trade or business or for investment is exchanged solely for property of a like-kind to be held either for use in a trade or business or for investment. Nevertheless, report the transaction on Schedule D (Form 1065) or Form 4797, whichever applies. For instances where the nonrecognition rule does not apply, see Publication 544.

Section 1031 (nonrecognition of gain (loss) from exchanges solely in-kind) does not apply to any exchange of interests in a partnership. See section 1031(a) for more information.

If the partnership uses Schedule D (Form 1065), identify the property disposed of in column (a). Enter the date of acquisition in column (b) and the date of exchange in column (c). Write "like-kind exchange" in column (d) and enter the cost or other basis in column (e). Enter zero in column (f). (See section 1031.)

Capital Gain Distributions.—On line 8, report as long-term capital gain distributions: (a) a capital gain dividend; or (b) the partnership's share of the undistributed capital gain from a regulated investment company. (Also see the instructions for Schedules K and K-1 (Form 1065), line 18b, item a, in the Instructions for Form 1065.)

Losses on Worthless Securities.—If any securities that are capital assets become worthless during the tax year, the loss is a loss from the sale or exchange of capital assets as of the last day of the tax year.

Collapsible Corporations.—Gain from the sale or exchange of stock in a collapsible corporation is not a capital gain. (See section 341.)

Losses From Wash Sales.—The partnership cannot deduct losses from a wash sale of stock or securities unless the losses were sustained in connection with the partnership's trade or business. A wash sale occurs if the partnership acquires (by purchase or exchange), or has a contract or option to acquire, substantially identical stock or securities within 30 days before or after the date of the sale or exchange. See section 1091 for more information.

Installment Sales.—If the partnership sold property (other than publicly traded stock or securities) at a gain, and is to receive any payment in a tax year after the year of sale, it must use the installment method and **Form 6252**, Computation of Installment Sale Income, unless it elects not to use the installment method. The partnership should also use Form 6252 if it received a payment this year from a sale made in an earlier year on the installment method.

Note: *See Form 6252 for the new rules that apply to installment sales of real property used in a trade or business or held for the production of rental income if the real property was sold for more than $150,000.*

If the partnership wants to elect out of the installment method for installment gain that **is not** specially allocated among the partners, it must do the following on a timely filed return (including extensions):

(1) Report the full amount of the sale on Schedule D (Form 1065).

(2) If the partnership received a note or other obligation and is reporting it at less than face value (including all contingent obligations), state that fact in the margin, enter the face amount of the note or other obligation, and give the percentage of valuation.

If the partnership wants to elect out of the installment method for installment gain that **is** specially allocated among the partners, it must do the following on a timely filed return (including extensions):

(1) For a **short-term capital gain,** report the full amount of the sale on Schedule K (Form 1065), line 4d.

For a **long-term capital gain,** report the full amount of the sale on Schedule K (Form 1065), line 4e.

(2) Enter each partner's share of the full amount of the sale on Schedule K-1 (Form 1065), line 4d or line 4e, whichever applies.

(3) If the partnership received a note or other obligation and is reporting it at less than face value (including all contingent obligations), attach a statement to Form 1065 that states that fact. Also show on the statement the face amount of the note or other obligation and give the percentage of valuation. Label the statement "Specially Allocated Capital Gains from Electing Out of the Installment Method."

If the partnership received more than one note or obligation, list the amounts separately.

Disposition of Foreign Investment in U.S. Real Property Interest.—See section 897.

Section 1256 Contracts and Straddles.—For information on how to report gains and losses from section 1256 contracts and straddles, see **Form 6781**, Gains and Losses From Section 1256 Contracts and Straddles.

If there are limited partners, see section 1256(e)(4) for the limitation on losses from hedging transactions.

Specific Instructions

Column (c). Date Sold.—Be sure to use the trade date as the date sold for year-end stock sales made on an established market. The settlement date can no longer be used as the date sold, even if **Form 1099-B**, Proceeds From Broker and Barter Exchange Transactions, reports that date.

Column (d). Sales Price.—Enter in this column either the gross sales price or the net sales price from the sale. On sales of stocks and bonds, report the gross amount as reported to the partnership by the partnership's broker on Form 1099-B or similar statement. However, if the broker advised the partnership that gross proceeds (gross sales price) less commissions and option premiums were reported to IRS, enter that net amount in column (d).

Column (e). Cost or Other Basis.—In general, the cost or other basis is the cost of the property plus purchase commissions and improvements and minus depreciation, amortization, and depletion. If the partnership got the property in a tax-free exchange, involuntary conversion, or wash sale of stock, it may not be able to use the actual cash cost as the basis. If the partnership does not use cash cost, attach an explanation of the basis.

When selling stock, adjust the basis by subtracting all the nontaxable distributions received before the sale. This includes nontaxable dividends from utility company stock and mutual funds. Also adjust the basis for any stock splits.

If a charitable contribution deduction is passed through to a partner because of a sale of property to a charitable organization, the adjusted basis for determining gain from the sale is an amount which has the same ratio to the adjusted basis as the amount realized has to the fair market value.

Increase the cost or other basis by any expense of sale such as broker's fee, commission, and option premium before making an entry in column (e) unless the partnership reported net sales price in column (d).

For more information, see **Publication 551**, Basis of Assets.

Lines 3 and 7. Capital Gains and Losses From Other Partnerships and Fiduciaries.—See the Schedule(s) K-1 or other information supplied to you by the other partnership or fiduciary.

SCHEDULE K-1 (Form 1065)
Department of the Treasury
Internal Revenue Service

Partner's Share of Income, Credits, Deductions, etc.

For calendar year 1988 or fiscal year beginning , 1988, and ending , 19

OMB No. 1545-0099

1988

Partner's identifying number ▶

Partnership's identifying number ▶

Partner's name, address, and ZIP code

Partnership's name, address, and ZIP code

A Is this partner a general partner? ☐ Yes ☐ No

B Partner's share of liabilities:
Nonrecourse $
Other $

C What type of entity is this partner? ▶

D Is this partner a ☐ domestic or a ☐ foreign partner?

E Enter partner's percentage of:

	(i) Before decrease or termination	(ii) End of year
Profit sharing	%	%
Loss sharing	%	%
Ownership of capital	%	%

F IRS Center where partnership filed return ▶

G Tax Shelter Registration Number ▶

H(1) Did the partner's ownership interest in the partnership change after Oct. 22, 1986? ☐ Yes ☐ No
If yes, attach statement. (See Form 1065 Instructions.)

(2) Did the partnership start or acquire a new activity after Oct. 22, 1986? ☐ Yes ☐ No
If yes, attach statement. (See Form 1065 Instructions.)

I Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

J Check here if this is an amended Schedule K-1 ☐

K Reconciliation of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Income (loss) from lines 1, 2, 3, and 4 below	(d) Income not included in column (c), plus nontaxable income	(e) Losses not included in column (c), plus unallowable deductions	(f) Withdrawals and distributions	(g) Capital account at end of year

Reminder: If you received a 1987 Schedule K-1 that was for a short year and you chose to report the 1987 amounts over a 4-year period, be sure to include one-fourth of the short year amounts, in addition to the items reported on this Schedule K-1, on the appropriate lines of your 1988 Form 1040 and related schedules.

Caution: *Refer to attached Partner's Instructions for Schedule K-1 (Form 1065) before entering information from this schedule on your tax return.*

		(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1	Ordinary income (loss) from trade or business activity(ies)	1		(See Partner's Instructions for Schedule K-1 (Form 1065))
	2	Net income or loss from rental real estate activity(ies)	2		
	3	Net income or loss from other rental activity(ies)	3		
	4	Portfolio income (loss):			
	a	Interest	4a		Sch. B, Part I, line 2
	b	Dividends	4b		Sch. B, Part II, line 4
	c	Royalties	4c		Sch. E, Part I, line 5
	d	Net short-term capital gain (loss)	4d		Sch. D, line 5, col. (f) or (g)
	e	Net long-term capital gain (loss)	4e		Sch. D, line 12, col. (f) or (g)
	f	Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable lines of your return)
	5	Guaranteed payments	5		(See Partner's Instructions for Schedule K-1 (Form 1065))
	6	Net gain (loss) under section 1231 (other than due to casualty or theft)	6		
	7	Other (attach schedule)	7		(Enter on applicable lines of your return)
Deductions	8	Charitable contributions	8		Sch. A, line 14 or 15
	9	Expense deduction for recovery property (section 179) (attach schedule)	9		(See Partner's Instructions for Schedule K-1 (Form 1065))
	10	Deductions related to portfolio income	10		
	11	Other (attach schedule)	11		
Credits	12a	Credit for income tax withheld	12a		See Partner's Instructions for Schedule K-1 (Form 1065)
	b	Low-income housing credit: (1) Partnerships to which section 42(j)(5) applies	b(1)		Form 8586, line 5
		(2) Other	b(2)		
	c	Qualified rehabilitation expenditures related to rental real estate activity(ies) (attach schedule)	12c		(See Partner's Instructions for Schedule K-1 (Form 1065))
	d	Credit(s) related to rental real estate activity(ies) other than 12b and 12c (attach schedule)	12d		
	e	Credit(s) related to other rental activity(ies) (see instructions) (attach schedule)	12e		
	13	Other credits (attach schedule)	13		

		(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Self-employment	14a	Net earnings (loss) from self-employment	14a		Sch. SE, Section A or B
	b	Gross farming or fishing income	14b		(See Partner's Instructions for Schedule K-1 (Form 1065))
	c	Gross nonfarm income	14c		
Tax Preference Items	15a	Accelerated depreciation of real property placed in service before 1/1/87	15a		Form 6251, line 5e
	b	Accelerated depreciation of leased personal property placed in service before 1/1/87	15b		Form 6251, line 5f
	c	Depreciation adjustment on property placed in service after 12/31/86	15c		Form 6251, line 4j
	d	Depletion (other than oil and gas)	15d		Form 6251, line 5c
	e	(1) Gross income from oil, gas, and geothermal properties	e(1)		See Form 6251 Instructions
		(2) Deductions allocable to oil, gas, and geothermal properties	e(2)		See Form 6251 Instructions
	f	Other (attach schedule)	15f		(See Partner's Instructions for Schedule K-1 (Form 1065))
Investment Interest	16a	Interest expense on investment debts	16a		Form 4952, line 1
	b	(1) Investment income included in Schedule K-1, lines 4a through 4f	b(1)		(See Partner's Instructions for Schedule K-1 (Form 1065))
		(2) Investment expenses included in Schedule K-1, line 10	b(2)		
Foreign Taxes	17a	Type of income			Form 1116, Check boxes
	b	Name of foreign country or U.S. possession			Form 1116, Part I
	c	Total gross income from sources outside the U.S. (attach schedule)	17c		Form 1116, Part I
	d	Total applicable deductions and losses (attach schedule)	17d		Form 1116, Part I
	e	Total foreign taxes (check one) ▶ ☐ Paid ☐ Accrued	17e		Form 1116, Part II
	f	Reduction in taxes available for credit (attach schedule)	17f		Form 1116, Part III
	g	Other (attach schedule)	17g		See Form 1116 Instructions
Other	18a	Total expenditures to which a section 59(e) election (relating to the optional 10-year writeoff of certain tax preference items) may apply (attach schedule)			(See Partner's Instructions for Schedule K-1 (Form 1065))
	b	Other items and amounts not reported on lines 1 through 17g, 19, and 20 that are required to be reported separately to you			
Recapture of Tax Credits	19a	Low-income housing credit: Partnerships to which section 42(j)(5) applies	19a		Form 8611
	b	Low-income housing credit: Other	19b		

20 Investment Tax Credit Property	A	B	C	
a Description of property (State whether recovery or nonrecovery property. If recovery property, state whether regular percentage method or section 48(q) election used.)				Form 4255, top
b Date placed in service				Form 4255, line 2
c Cost or other basis				Form 4255, line 3
d Class of recovery property or original estimated useful life				Form 4255, line 4
e Date item ceased to be investment credit property				Form 4255, line 8

Other Information Provided by Partnership:

1988

Department of the Treasury
Internal Revenue Service

Partner's Instructions for Schedule K-1 (Form 1065)

(For Partner's Use Only)

(Section references are to the Internal Revenue Code unless otherwise noted.)

Items of Interest

Changes to Schedule K-1

Questions A(2) and A(3) deleted.—Under the provisions of temporary regulations section 1.469-5T, the determination of whether a partner materially participated in an activity held through a partnership must be made by the partner rather than the partnership. As a result, Questions A(2) and A(3), dealing with material and active participation, respectively, have been deleted from Schedule K-1 for 1988. The partnership must give you information showing the net income (loss), expenses, and credits from each trade or business activity and from each rental activity held through the partnership. You must determine your level of participation in each activity.

Tax Law Changes

Publicly traded partnerships: Treatment of publicly traded partnerships under the passive loss rules.—For tax years beginning after December 31, 1986, net passive income from a publicly traded partnership is treated as investment income for purposes of section 163(d). Further, the provisions of section 469 must be applied separately with respect to items (other than the low-income housing credit and the rehabilitation investment credit) attributable to each publicly traded partnership. Thus, a net passive loss from a publicly traded partnership may not be applied against other passive income; instead, a passive loss from a publicly traded partnership is suspended and carried forward to be applied against passive income from the same partnership in subsequent years. If the partner's entire interest in the partnership is completely disposed of, any unused losses may be claimed in the year of disposition.

See the Instructions for **Form 8582**, Passive Activity Loss Limitations, to determine how to report net income or net loss from passive activities held through a publicly traded partnership.

Tax-exempt organization as a partner in a publicly traded partnership.—A tax-exempt organization's share (whether or not distributed) of the gross income of a publicly traded partnership (that is not treated as a corporation under section 7704) is treated as gross income from an unrelated trade or business. The organization's share of partnership deductions is allowable in computing the organization's unrelated business income. This provision is effective for interests acquired after December 17, 1987.

Installment sales of certain property.—A new rule applies to installment sales by nondealers where the sales price exceeds $150,000. To the extent that the aggregate of such sales by a partnership during the tax year exceeds $5,000,000, an interest charge is imposed on the deferred tax resulting from the use of the installment method with respect to such sales. This interest charge is reported by the partners on their income tax returns. See instructions for line 18b, item j.

Four year ratable spread of short-year income.—Many partnerships were required to change their taxable year in 1987. As a result of this required change, the affected partnerships issued two Schedule K-1s in 1987, one for the full taxable year ending in 1987 and one for the short taxable year ending in 1987. If you were a partner in such a partnership, your partnership should have identified the Schedule K-1 that it issued to you for its short year by checking the box in Question H on your Schedule K-1 for 1987. A partner in a partnership that had net income for the short year was given the option of reporting the partner's distributive share of short-year partnership income in full in 1987 or spreading it ratably over four years. If you chose to report your distributive share of the short-year partnership income over four years, be sure to report 25% of each partnership income and expense item on your 1988 income tax return. When you report each item on the applicable form or schedule, if an itemization by source is required, you should: list it on a separate line, identify the partnership to which the income or expense relates, and identify the income or expense as a short-year amount by writing "PYA" beside it.

Note: *The adjusted basis of a partner's interest shall be determined as if all of the income to be taken into account ratably over four years were included in gross income in the first year. Also, if you dispose of an interest in the partnership, any remaining unreported income from the short year must be reported in the year of disposition.*

Taxable year of a common trust.—Recent legislation provides that a common trust must have the calendar year as its taxable year. Participants in a common trust will be allowed to include income from any short-year return of the trust resulting from a required change to a calendar year ratably over a four-year period or to include all of the income in the year of change.

Purpose of Schedule K-1

The partnership uses Schedule K-1 to report your share of the partnership's income, credits, deductions, etc. **Please keep it for your records. Do not file it with your tax return.** A copy has been filed with the IRS.

Although the partnership is not subject to income tax, you are liable for tax on your share of the partnership income, whether or not distributed, and you must include your share on your tax return.

The amount of loss and deduction that you may claim on your tax return may be less than the amount reported on Schedule K-1. **It is the partner's responsibility to consider and apply any applicable limitations.** See **Limitations on Losses, Deductions, and Credits,** on page 3, for more information.

Where "(attach schedule)" appears beside a line item on Schedule K-1, it means you should see the schedule that the partnership has attached for that line or the space provided on page 2 of Schedule K-1.

Where "(see instructions for Form 1065)" appears beside an item or line on Schedule K-1, it means the partnership should see the Instructions for Form 1065 before completing these lines. You may ignore this notation.

General Information

Inconsistent treatment of items.—Generally, you must report partnership items shown on your Schedule K-1 (and any attached schedules), the same way that the partnership treated the items on its return. This rule does not apply if your partnership is within the "small partnership" exception and does not elect to have the section 6231(a)(1)(B)(ii) election apply. See section 6222 for the inconsistent treatment rules.

If your treatment on your original or amended return is (or may be) inconsistent with the partnership's treatment, or if the partnership was required to, but has not filed a return, you must file **Form 8082**, Notice of Inconsistent Treatment or Amended Return (Administrative Adjustment Request (AAR)), with your original or amended return to identify and explain any inconsistency (or to note that a partnership return has not been filed).

Errors.—If you believe the partnership has made an error on your Schedule K-1, notify the partnership and ask for a corrected Schedule K-1. Do not change any items on your copy of Schedule K-1. Be sure that the partnership sends a copy of any corrected Schedule K-1 to the Internal Revenue Service. If you are a partner in a partnership which does not meet the small partnership exception and you report any partnership item on your return in a manner that differs from the way the partnership reported it, you must file Form 8082. See "Inconsistent treatment of items" above, for more information.

Sale or exchange of partnership interest.—Generally, if a partner sells or exchanges a partnership interest where unrealized receivables or substantially appreciated inventory items are involved, the partner must notify the partnership, in

writing, within 30 days of the exchange. An exception to this rule is made in the case of sales or exchanges of publicly traded partnership interests for which a broker is required to file Form 1099-B. See Form 8308 for more information.

Nominee reporting.—Any person who holds an interest in a partnership as a nominee for another person is required to furnish to the partnership the name, address, etc., of the other person (i.e., the beneficial holder of the interest). See sections 6031(b) and (c), and the related regulations for more information.

Note: *Recent legislation provides that the penalty under section 6722 applies to nominees who fail to furnish required information to the IRS.*

United States persons with interests in foreign partnerships.—If you are a U.S. person in a foreign partnership that does not file a partnership return, you may be required to furnish information necessary to determine your correct income (loss) from the partnership. See regulations section 1.6031-1. Also see section 6046A for other information you may be required to report.

Windfall profit tax.—Generally, if your partnership is involved in the production of domestic crude oil, it will give you information regarding your income tax deduction for the windfall profit tax by giving you **Form 6248,** Annual Information Return of Windfall Profit Tax. The partnership will not report your share of the windfall profit tax on your Schedule K-1. You will have to determine whether you are entitled to a refund of overpaid windfall profit tax. File **Form 6249,** Computation of Overpaid Windfall Profit Tax, to obtain a refund.

If your partnership elects to be treated as authorized to act on behalf of the partners with respect to the determination, assessment, or collection of the windfall profit tax, the regulations under section 6232 will apply.

Note: *The windfall profit tax will not apply to crude oil removed after August 22, 1988.*

International boycotts.—Every partnership that had operations in, or related to, a boycotting country, company, or a national of a country, must file **Form 5713**, International Boycott Report.

If the partnership cooperated with an international boycott, it must give you a copy of its Form 5713. You must file your own Form 5713 to report the activities of the partnership and any other boycott operations that you may have. Please see Form 5713 and the instructions for more information.

Definitions

General partner.—A general partner is a partner who is personally liable for obligations of the partnership.

Limited partner.—A limited partner is a partner whose potential personal liability for partnership debts is limited to the amount of money or other property that the partner contributed or is required to contribute to the partnership.

Nonrecourse loans.—Nonrecourse loans are those liabilities of the partnership for which none of the partners has any personal liability.

Elections.—Generally, the partnership decides how to figure taxable income from its operations. However, some elections are made by you separately on your income tax return and not by the partnership. These elections are made under the following code sections:

- Section 108(b)(5) (regarding income from the discharge of indebtedness);
- Section 617 (regarding the deduction and recapture of certain mining exploration expenditures); and
- Section 901 (regarding the foreign tax credit).

Also, if you are an individual partner (an individual, estate, or trust), you may make an election under section 59(e) to deduct certain qualified expenditures ratably over the period of time specified in that section. For more information, see the instructions for line 18a of Schedule K-1.

Additional information.—For more information on the treatment of partnership income, credits, deductions, etc., see **Pub. 541**, Tax Information on Partnerships; **Pub. 535**, Business Expenses; and **Pub. 556**, Examination of Returns, Appeal Rights, and Claims for Refund.

Specific Instructions

Question B.—Question B should show your share of the partnership's nonrecourse liabilities and other liabilities as of the end of the partnership's tax year. If you terminated your interest in the partnership during the tax year, Question B should show the share that existed immediately before the total disposition. A partner's "other liability" is, generally, any partnership liability for which a partner is personally liable (but see **Note** below).

Use the total of the two amounts for computing the adjusted basis of your partnership interest.

Generally, you may use only the amount shown next to "Other" to compute your amount at risk. Do not include any amounts that are not at risk if such amounts are included in the "Other" category.

If your partnership is engaged in two or more different types of activities subject to the at-risk provisions, or a combination of at-risk activities and any other activity, the partnership should give you a statement showing your share of nonrecourse liabilities and other liabilities for each activity.

Note: *The at-risk rules have been extended to real property. However, there is an exception for "qualified" nonrecourse financing that is secured by real property used in an activity of holding real property. You are considered at-risk for "qualified" nonrecourse amounts.*

Qualified nonrecourse financing generally includes financing that is secured by real property and that is loaned or guaranteed by a Federal, state, or local government or borrowed from a "qualified" person. Qualified persons include any person actively and regularly engaged in the business of lending money, such as a bank or savings and loan association. Qualified persons generally do not include related parties, the seller of the property, or a person who receives a fee because of the investment in the real property. See ***Pub. 925****, Passive Activity and At-Risk Rules, for more information on qualified nonrecourse financing.*

If the partnership had a liability that qualified as qualified nonrecourse financing at the partnership level, it included your share of such liability in the ***Other*** *line of Question B. The partnership should also have identified such amounts on an attachment to Schedule K-1. You must also meet the qualified nonrecourse rules on this debt before you can include these amounts in your at-risk computation.*

See **Limitations on Losses, Deductions, and Credits** for more information on the at-risk limitations.

Question G.—If the partnership is a registration-required tax shelter or has invested in a registration-required tax shelter, it should have completed Question G. If you claim or report income, loss, deduction, or credit from a tax shelter, you are required to attach **Form 8271,** Investor Reporting of Tax Shelter Registration Number, to your tax return. If the partnership has invested in a tax shelter, it is required to give you a copy of its Form 8271 with your Schedule K-1. You should use the information on this Form 8271 to complete Part I of your Form 8271.

If the partnership itself is a registration-required tax shelter, use the information on Schedule K-1 (name of the partnership, partnership identifying number, tax shelter registration number, type of tax shelter) to complete Part I of Form 8271. The partnership will identify the type of tax shelter in the space provided in Question G or on an attachment to Schedule K-1.

Questions H(1) and H(2).— These questions are asked to enable partners, for whom the passive activity rules of section 469 are applicable, to apply the phase-in relief provisions of those rules. See **Passive Activity Limitations** beginning on page 3 for information on the phase-in relief provisions.

Before you can apply the rules discussed in the instructions for Questions H(1) and H(2), you must first determine which partnership activities (if any) are passive activities to you. See the instructons under "Passive Activity Limitations" beginning on page 3 for information on how to make this determination.

If Questions H(1) and H(2) are checked "No," phase-in relief provisions apply to all passive activity amounts from this partnership.

Question H(1).—The phase-in relief provisions do not apply to passive activity losses and credits from interests in the partnership acquired after October 22, 1986, unless the partner had a contractual obligation on that date to purchase the interest.

If Question H(1) is checked "Yes," the partnership should have attached a statement to Schedule K-1, for each activity commenced by the partnership prior to 10/23/86, identifying your share of income, loss, deduction, and credit attributable to a new or increased ownership interest in the partnership that you acquired after 10/22/86.

Question H(2).—If Question H(2) is checked "Yes," the partnership should have attached a statement to your Schedule K-1 identifying your share of amounts from activities commenced by the partnership after 10/22/86. If these amounts are passive activity losses or credits to you, the phase-in relief provisions will not apply to them.

Question I.—If the box in Question I is checked, you are a partner in a publicly traded partnership and must follow the rules discussed above under "Items of Interest" with respect to publicly traded partnerships. For additional information see the Instructions for Form 8582.

Lines 1 through 20

If you are an individual and the passive activity rules do not apply to the amounts shown on your Schedule K-1, take the amounts shown in column (b) and enter them on the lines on your tax return as indicated in column (c). If the passive activity rules do apply, report the amounts shown in column (b) as indicated in the Instructions for Form 8582.

If you are not an individual, report the amounts in column (b) as instructed on your tax return.

The line numbers in column (c) are references to forms in use for calendar year 1988. If you file your tax return on a calendar year basis, but your partnership files a return for a fiscal year ending in 1989, enter these amounts on the corresponding lines of the tax forms in use for 1989.

If you have losses, deductions, credits, etc., from a prior year that were not deductible or usable because of certain limitations, such as the at-risk rules, they may be taken into account in determining your net income, loss, etc., for this year. However, do not combine the prior-year amounts with any amounts shown on this Schedule K-1 to get a net figure to report on any supporting schedules, statements, or forms attached to your return. Instead, report the amounts on the attached schedule, statement, or form on a year-by-year basis.

If you have amounts other than those shown on Schedule K-1 to report on Schedule E (Form 1040), enter each item on a separate line of Part II of Schedule E.

Lines 1–3

The amounts shown on lines 1 through 3 reflect your share of income or loss from partnership business or rental operations without reference to limitations on losses or adjustments that may be required of you because of: (1) the adjusted basis of your partnership interest, (2) the amount for which you are at-risk as determined under section 465, or (3) the passive activity limitations of section 469. Information on these provisions is given below.

Limitations on Losses, Deductions, and Credits

There are three separate potential limitations on the amount of partnership losses that you may deduct on your return. These limitations and the order in which they must be applied are as follows: the basis rules, the at-risk rules, and the passive loss rules. Each of these limitations is discussed separately, below.

Note: *Other limitations may apply to specific deductions (for example, deductions under section 179). These limitations on specific deductions generally apply before the basis, at risk and passive loss limitations.*

Basis Rules

Generally, you may not claim your share of a partnership loss (including a capital loss) to the extent that it is greater than the adjusted basis of your partnership interest at the end of the partnership's tax year.

You can compute the adjusted basis of your partnership interest by totalling items which increase your basis and then subtracting items which decrease your basis.

Items which increase your basis are:

- Money and your adjusted basis in property contributed to the partnership.
- Your share of the partnership's income.
- Your share of the increase in the liabilities of the partnership (or your individual liabilities caused by your assumption of partnership liabilities).

Items which decrease your basis are:

- Money and the adjusted basis of property distributed to you.
- Your share of the partnership's losses.
- Your share of the decrease in the liabilities of the partnership (or your individual liabilities assumed by the partnership).

The above is not a complete list of items and factors which determine basis. See Pub. 541 for more information.

At-Risk Rules

Generally, if you have: (1) a loss or other deduction from an activity carried on as a trade or business or for the production of income by the partnership, and (2) amounts in the activity for which you are not at risk, you will have to complete **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) and other deductions (such as the section 179 deduction) that you can claim to the amount you could actually lose in the activity.

Generally, you are not at risk for amounts such as the following:

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity, that are not secured by your own property (other than the property used in the activity). See **Question B,** on page 2, for the exception for qualified nonrecourse financing secured by real property.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related, under section 465(b)(3), to a person (other than yourself) having such an interest.

To help you complete Form 6198, the partnership should specify on an attachment to Schedule K-1 your share of the total pre-1976 loss(es) from a section 465(c)(1) activity for which there existed a corresponding amount of nonrecourse liability at the end of the year in which this loss(es) occurred. In addition, you should get a separate statement of income, expenses, etc., for each activity from the partnership.

Passive Activity Limitations

In general.—Section 469 provides rules that limit the deduction of certain losses and credits. These rules apply to partners who:

- Are individuals, estates, trusts, closely held corporations, or personal service corporations, and
- Have a passive activity loss or credit for the tax year.

Passive activities include: (1) trade or business activities in which you do not materially participate, and (2) activities that meet the definition of rental activities under temporary regulations section 1.469-1T(e)(3). See the instructions for Form 8582 or 8810.

Passive activities do not include: (1) trade or business activities in which you materially participate; (2) working interests in oil or gas wells; (3) qualifying low-income housing activities; and (4) an activity of trading personal property for the account of owners of interests in the activity.

The partnership will identify on your Schedule K-1 any activity that may be passive to you. If the partnership is conducting more than one activity, it will give you a statement attached to your Schedule K-1 that identifies each activity (trade or business activity, rental real estate activity, rental activity other than rental real estate, etc.) and specifies the income (loss), deductions, and credits from each activity.

If you are an individual, an estate, or a trust and you have a passive activity loss or credit, get **Form 8582,** Passive Activity Loss Limitations, to compute your allowable passive losses and **Form 8582-CR,** Passive Activity Credit Limitations, to compute your allowable passive credits. If you are a corporation, get **Form 8810,** Corporate Passive Activity Loss and Credit Limitations. See the instructions for those forms for more information.

Material Participation in Trade or Business Activities

You must determine whether you materially participated in each trade or business activity held through the partnership. **All determinations of material participation are made with respect to participation during the taxable year of the partnership.**

Material participation standards for partners who are individuals are listed below. Special rules apply to certain retired or disabled farmers and to the surviving spouses of farmers. See temporary regulations section 1.469-5T and the Instructions for Form 8582 for details.

Corporations, estates, and trusts should refer to the Instructions for Form 8582 or Form 8810 for the material participation standards that apply to them.

Individuals (other than limited partners).—If you are an individual (either a general partner or a limited partner who owned a general partnership interest at all times during the taxable year), a shareholder in an S corporation, an estate, a trust, or the beneficiary of an estate or a trust, you materially participate in an activity only if:

(1) You participated in the activity for more than 500 hours during the taxable year;

(2) Your participation in the activity for the taxable year constituted substantially all of the participation in the activity of all individuals (including individuals who are not owners of interests in the activity);

(3) You participated in the activity for more than 100 hours during the taxable year, and your participation in the activity for the taxable year was not less than the participation in the activity of any other individual (including individuals who are not owners of interests in the activity) for the taxable year;

(4) The activity is a significant participation passive activity (see definition below) for the taxable year, and your aggregate participation in all significant participation passive activities during the year exceeds 500 hours;

(5) You materially participated in the activity for any five taxable years (whether or not consecutive) during the ten taxable years that immediately precede the taxable year;

(6) The activity is a personal service activity (see definition below) and you materially participated in the activity for any three taxable years (whether or not consecutive) preceding the taxable year; or

(7) Based on all of the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the taxable year.

Definitions.—A "significant participation passive activity" is a trade or business activity in which you participated for more than 100 hours during the year and which would be an activity in which you did not materially participate if material participation were determined without regard to paragraph (4) above.

A "personal service activity" is an activity involving the performance of personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.

Limited partners.—If you are a limited partner, you do not materially participate in an activity unless you meet one of the tests in paragraphs (1), (5), or (6) above.

Work counted toward material participation.—Generally, any work that you or your spouse do in connection with an activity held through a partnership (where you own your partnership interest at the time the work is done) is counted toward material participation. However, work in connection with the activity is not counted toward material participation if:

(1) The work is not the sort of work that owners of the activity would usually do and one of the principal purposes of the work that you or your spouse do is to avoid the passive loss or credit limitations; or (2) you do the work in your capacity as an investor and you are not directly involved in the day-to-day operations of the activity. Examples of work done as an investor which would not count toward material participation include: (a) studying and reviewing financial statements or reports on operations of the activity; (b) preparing or compiling summaries or analyses of the finances or operations of the activity for your own use; and (c) monitoring the finances or operations of the activity in a non-managerial capacity.

Effect of determination.—If you determine that you materially participated in a trade or business activity held through the partnership, treat the income (loss), deductions, and credits from that activity as indicated in either column (c) of Schedule K-1 or the instructions for each line.

If you determine that you did not materially participate in a trade or business activity held through the partnership or if you have income (loss), deductions, or credits from a rental activity held through the partnership, the amounts from that activity are passive. Report passive income (losses), deductions, and credits as follows:

If you have net income from the activity, report the income as indicated on Schedule K-1 or in the instructions. If you have losses, deductions, or credits from passive activities held through this partnership or from any other source, you must also report the income on Form 8582.

If you have losses, deductions, or credits from a passive activity, you must report them on the applicable line of Form 8582 or Form 8582-CR to see if your losses, deductions, or credits are limited under the passive loss rules.

See the instructions for Forms 8582 and 8582-CR, or Form 8810 for more information.

Special rules

Special rules apply to certain activities. If you have net income (loss), deductions, or credits from any activity to which special rules apply, the partnership will identify the activity and all amounts relating to it on an attachment to your Schedule K-1.

If you have net income (loss), deductions, or credits from any of the following activities, see the instructions for Form 8582 for information on how to treat such amounts: rental real estate activities in which you actively participated; losses from passive activities held through a publicly traded partnership; losses with respect to partnership interests acquired and activities commenced before October 23, 1986 (pre-enactment activities); and net income subject to recharacterization under temporary regulations section 1.469-2T(f).

If you have net income (loss), deductions, or credits from any of the following activities, such amounts are treated as nonpassive and you should report them as instructed in column (c) of Schedule K-1 or in these instructions: qualified low-income housing projects; working interests in oil and gas wells; or trading personal property for the account of owners of interests in the activity.

Line-by-Line Instructions

Income

Line 1. Ordinary income (loss) from trade or business activity(ies).—The amount reported for line 1 is your share of the ordinary income (loss) from the trade or business activity(ies) of the partnership. Generally, where you report this amount on Form 1040 depends on whether or not the amount is from an activity which is a passive activity to you. If you are an individual partner filing your 1988 Form 1040, find your situation in the following guide and report your line 1 income (loss) as instructed, after applying the basis and at-risk limitations on losses.

Report line 1 income (loss) from partnership trade or business activities in which you materially participated on Schedule E (Form 1040), Part II, column (i) or (k).

Report line 1 income (loss) from partnership trade or business activities in which you did not materially participate as follows:

If income is reported on line 1, report the income on Schedule E, Part II, column (h). If, in addition to this passive activity income, you have a passive activity loss from this partnership or from any other source, also report the line 1 income on Form 8582.

If a loss is reported on line 1, report the loss on the applicable line of Form 8582, to determine how much of the loss can be reported on Schedule E, Part II, column (g).

Line 2. Income or loss from rental real estate activity(ies).—Generally, the income (loss) reported on line 2 is a passive activity amount to all partners. There is an exception, however, for losses from a qualified low-income housing project. The loss limitations of section 469 do not apply to losses incurred by qualified investors in qualified low-income housing projects. The partnership will have attached a schedule for line 2 to identify any such amounts.

Use the following instructions to determine where to enter a line 2 amount.

- If you have a loss on line 2 (other than a qualified low-income housing project loss), enter the loss on the applicable line of Form 8582 to determine how much of the loss can be reported on Schedule E (Form 1040), Part II, column (g). If you actively participated in the partnership rental real estate activity, your share of the loss will be eligible for the special $25,000 allowance for rental real estate losses. See the instructions for Form 8582 for more information.

Note: *If you are a qualified investor reporting a qualified low-income housing project loss, report the loss on Schedule E, Part II, column (i).*

- If you have income on line 2, enter the income on Schedule E, Part II, column (h). If, in addition to this passive activity income, you have a passive activity loss from this partnership or from any other source, also report the line 2 income on Form 8582.

Line 3. Income or loss from other rental activity(ies).—The amount on line 3 is a passive activity amount for all partners.

• If line 3 is a loss, report the loss on the applicable line of Form 8582.

• If income is reported on line 3, report the income on Schedule E (Form 1040), Part II, column (h). If, in addition to this passive activity income, you have a passive activity loss from this partnership or from any other source, also report the line 3 income on Form 8582.

Line 4. Portfolio income (loss).—Income or loss referred to as "portfolio" income or loss in these instructions is not part of a passive activity subject to the rules of section 469. Portfolio income includes interest, dividend, annuity, and royalty income, not derived in the ordinary course of a trade or business, and gain or loss on the sale of property held for investment. Column (c) of Schedule K-1 tells individual partners where to report this income on Form 1040.

Caution: *If an amount reported on line 4d or 4e relates to a trade or business activity of the partnership, the partnership will identify the amount. Any such amounts should be treated as provided in section 469 if you did not materially participate in the trade or business activity.*

The partnership uses line 4(f) to report portfolio income other than interest, dividend, royalty, and capital gain (loss) income. It will attach a statement to tell you what kind of portfolio income is reported on line 4(f). An example of portfolio income that could be reported for line 4(f) is income from a real estate mortgage investment conduit (REMIC) in which the partnership is a residual interest holder.

If the partnership has a residual interest in a REMIC, it will report on the statement your share of REMIC taxable income (net loss) which you report on Schedule E (Form 1040), Part IV, column (d). The statement will also report your share of any "excess inclusion" which you report on Schedule E, Part IV, column (c), and your share of section 212 expenses which you report on Schedule E, Part IV, column (e). If you itemize your deductions on Schedule A (Form 1040), you may deduct these section 212 expenses as a miscellaneous deduction subject to the 2% adjusted gross income limit on Schedule A, line 21.

Line 5. Guaranteed payments.—Generally, amounts on this line are not part of a passive activity and should be reported on Schedule E (Form 1040), Part II, column (k). For example, guaranteed payments for personal services paid to any partner are not passive activity income.

Line 6. Net gain (loss) under section 1231 (other than due to casualty or theft).—If the amount on line 6 relates to a rental activity, the section 1231 gain (loss) is a passive activity amount. Likewise, if the amount relates to a trade or business activity and you did not materially participate in the trade or business activity, the section 1231 gain (loss) is a passive activity amount.

• If the amount is not a passive activity amount to you, report it on line 2, column (g) or (h), whichever is applicable, of **Form 4797**, Sales of Business Property. You do not have to complete the information called for on columns (b) through (f). Write "From Schedule K-1 (Form 1065)" across these columns.

• If gain is reported on line 6 and it is a passive activity amount to you, report the gain on line 2, column (h), of Form 4797 and be sure to see "Passive Loss Limitations" on page 1 of the instructions for Form 4797.

• If a loss is reported on line 6 and it is a passive activity amount to you, see "Passive Loss Limitation" on page 1 of the instructions for Form 4797. You will need to use Form 8582 to determine how much of the loss is allowed on Form 4797.

Line 7. Other income (loss).—Amounts on this line are other items of income, gain, or loss not included on lines 1–6. The partnership should give you a description and the amount of your share for each of these items.

The instructions given below tell you where to report line 7 items if such items are not passive activity amounts.

Report loss items which are passive activity amounts to you on Form 8582.

Report income or gain items which are passive activity amounts to you as instructed below. If, in addition to this passive activity income or gain, you have passive activity losses, deductions, or credits from any source, also report the passive activity income or gain on Form 8582.

Line 7 items may include the following:

• Partnership gains from the disposition of farm recapture property (see Form 4797) and other items to which section 1252 applies.

• Recoveries of bad debts, prior taxes, and delinquency amounts (section 111). Report such amounts on line 22, Form 1040.

• Gains and losses from wagers (section 165(d)).

• Any income, gain, or loss to the partnership under section 751(b). Report this amount on line 10, Form 4797.

• Specially allocated ordinary gain (loss). Report this amount on Form 4797, line 10.

• Net gain (loss) from involuntary conversions due to casualty or theft. The partnership will give you a schedule that shows the amounts to be entered on **Form 4684**, Casualties and Thefts, Section B, Part II, line 16, columns (b)(i), (b)(ii), and (c).

Deductions

Line 8. Charitable contributions.—The partnership will give you a schedule that shows which contributions were subject to the 50%, 30%, and 20% limitations. For further information, see the Form 1040 instructions.

If contributions of property other than cash are made and if the claimed deduction for one item or group of similar items of property exceeds $5,000, the partnership is required to give you a copy of **Form 8283**, Noncash Charitable Contributions, to attach to your tax return. Do not deduct the amount shown on this form. Instead, deduct the amount shown on line 8 of your Schedule K-1 (Form 1065).

If the partnership provides you with information that the contribution was property other than cash and does not give you a Form 8283, see the Instructions for Form 8283 for filing requirements. A Form 8283 does not need to be filed unless the total claimed deduction for all contributed items of property exceeds $500.

Charitable contribution deductions are not taken into account in figuring your passive activity loss for the year. Do not enter them on Form 8582.

Line 9. Expense deduction for recovery property.—The maximum amount of expense deduction for recovery property (section 179 deduction) that you can claim from all sources is $10,000. The $10,000 limit is reduced if the total cost of section 179 property that you placed in service during the year exceeds $200,000. The partnership will give you information on your share of the cost of the partnership's section 179 property so that you can compute this limitation. Your section 179 deduction is also limited to your taxable income from all of your trades or businesses. See **Form 4562**, Depreciation and Amortization, and Pub. 534 for more information.

If the section 179 deduction is a passive activity amount, report it on Form 8582. If it is not a passive activity amount, report it on Schedule E (1040), Part II, column (j).

Line 10. Deductions related to portfolio income.—Amounts entered on this line are the expenses (other than investment interest expense and expenses from a REMIC) paid or incurred to produce portfolio income. Generally, you should enter line 10 amounts on **Schedule A (Form 1040)**, line 21. If, however, any line 10 amount should not be entered on line 21 of Schedule A, the partnership will have identified that amount for you. Miscellaneous itemized deductions are not taken into account in figuring your passive activity loss for the year. Do not enter them on Form 8582.

Line 11. Other deductions.—Amounts on this line are deductions not included on lines 8, 9, and 10, such as:

• Itemized deductions other than those reported on line 10 (1040 filers enter on Schedule A (Form 1040)).

Note: *If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income-producing purposes, you will be notified by the partnerships. You will have to complete your own Form 4684.*

• Any penalty on early withdrawal of savings.

• Soil and water conservation expenditures (section 175).

• Expenditures for the removal of architectural and transportation barriers to the elderly and handicapped which the partnership has elected to treat as a current expense (section 190).

• Payments on behalf of a partner to an IRA, Keogh, or a Simplified Employee Pension (SEP) plan. See Form 1040 Instructions for line 25 of Form 1040 to figure your IRA deduction. Payments made to a Keogh or SEP plan will be entered on Form 1040, line 27. If the payments to a Keogh plan were to a defined benefit plan, the partnership should give you a statement showing the amount of the benefit accrued for the tax year.

• Skybox or other private luxury box rental expense subject to limitation under section 274(l)(2). The restrictions of section 274(l)(2) are phased in over a 3-year period. The amount allowed as a deduction depends

when the partner's tax year begins. Therefore, unless the partnership knows the beginning date of your tax year, it will attach a statement to show your share of the deductible amount for tax years beginning in 1988 and 1989. Report the amount that corresponds with your tax year. If the partnership knows your tax year, it will report only the deductible amount for that year.

The partnership should give you a description and the amount of your share for each of these items.

Credits

Line 12a. Credit for income tax withheld.—Include the amount the partnership reports to you in the total that you enter on line 54, page 1, Form 1040. Be sure to check the box on line 54 and write "Form K-1" under the check box (between lines 54 and 55).

Caution: *If you have credits that are passive activity credits to you, you must complete Form 8582-CR (or Form 8810 for corporations). See the instructions for Form 8582-CR or 8810 for more information.*

Line 12b. Low-income housing credit.—Your share of the partnership's low-income housing credit is shown on line 12b. Any allowable credit is entered on **Form 8586**, Low-Income Housing Credit.

The partnership will report separately on line 12b(1) that portion of the low-income housing credit with respect to which section 42(j)(5) applies. All other low-income housing credits will be reported on line 12b(2). You must keep a separate record of the amount of low-income housing credit from each of these sources so that you will be able to correctly compute any recapture of low-income housing credit that may result from the disposition of all or part of your partnership interest. For more information, see the instructions for **Form 8611**, Recapture of Low-Income Housing Credit.

Caution: *You cannot claim the low-income housing credit on any qualified low-income housing building for which any person was allowed any benefit under section 502 of the Tax Reform Act of 1986.*

Line 12c. Rehabilitation expenditures related to a rental real estate activity.—The partnership should attach a statement to Schedule K-1 that shows your share of the partnership's rehabilitation expenditures that are related to each rental real estate activity. Any allowable credit is claimed on **Form 3468**, Computation of Investment Credit.

Line 12d. Other credits related to rental real estate activities.—If applicable, the partnership will use an attachment cross-referenced to this line to give you the information you need to compute credits related to rental real estate activities other than the low-income housing credit and the rehabilitation investment credit.

Line 12e. Credits related to other rental activities.—If applicable, the partnership will use an attachment cross-referenced to this line to give you the information you need to compute credits related to rental activities other than rental real estate activities.

Line 13. Other credits.—If applicable, the partnership will use an attachment cross-referenced to this line to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported on line 12d, 12e, or 13 (depending on the type of activity they relate to) include the following:

- Nonconventional source fuel credit.
- Unused credits from cooperatives.
- The credit for increasing research activities and orphan drug credit (enter these credits on **Form 6765**, Credit for Increasing Research Activities).
- Jobs credit. Complete **Form 5884**, Jobs Credit, and attach it to your return. See Form 5884 for definitions, special rules, and limitations.
- Credit for alcohol used as fuel. Complete **Form 6478**, Credit for Alcohol Used as Fuel, and attach it to your return.
- Investment tax credit. If applicable, the partnership will, through an attached statement, show your share of the partnership's qualified rehabilitation expenditures, energy property qualifying for the credit, and any regular investment credit property that qualifies for the credit. Generally, you can claim a tax credit based on these amounts by filing Form 3468.

Note: *The passive activity limitations of section 469 may limit the amount of credits on lines 12b, 12c, 12d, 12e, and 13 that you may take. Lines 12b, 12c, 12d, and 12e credits are related to the rental activities of the partnership and are passive activity credits to all partners. Line 13 credits are related to the trade or business activities of the partnership and are passive activity credits to all partners who did not materially participate in the trade or business activity. In general, except to the extent phase-in relief is available, credits from passive activities are limited to tax attributable to passive activities.*

However, partners who actively participated in the rental real estate activity may be able to use line 12d credits against tax on other income. The amount of these credits so usable is limited to their deduction equivalent up to $25,000 (net of losses from rental real estate activities deductible against up to $25,000 of other income).

The credits on lines 12b and 12c may be taken against tax on other income, subject to the same $25,000 limitation. Line 12e credits are limited to tax attributable to passive activities. The $25,000 deduction equivalent does not apply to line 12e and line 13 credits.

Self-Employment

Lines 14a, 14b, and 14c.—If you and your spouse are both partners, each of you must complete and file your own **Schedule SE (Form 1040)**, Social Security Self-Employment Tax, to report your partnership earnings (loss) from self-employment.

Line 14a. Net earnings (loss) from self-employment.—Before entering this amount on Schedule SE (Form 1040), you must adjust it by any section 179 expense claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties.

Note: *Do not reduce net earnings from self-employment by any separately stated deduction for health insurance expenses allowable under section 162(m).*

If the amount on this line is a loss, enter only the deductible amount on Schedule SE (Form 1040). See **Limitations on Losses, Deductions, and Credits** on page 3.

If your partnership is an options dealer or a commodities dealer, see section 1402(i).

If your partnership is an investment club, see Revenue Ruling 75-525, 1975-2 C.B. 350.

Line 14b. Gross farming or fishing income.—If you are an individual partner, enter the amount from this line on Schedule E (Form 1040), Part VI, line 43. You may also use this amount to figure self-employment income under the optional method on Schedule SE (Form 1040), Section B, Part II.

Line 14c. Gross nonfarm income.—If you are an individual partner, use this amount to figure self-employment income under the optional method on Schedule SE (Form 1040), Section B, Part II.

Tax Preference Items

Use the information reported on lines 15a through 15f (as well as your preference items from other sources) to prepare your **Form 6251**, Alternative Minimum Tax—Individuals, **Form 4626**, Alternative Minimum Tax—Corporations, or **Form 8656**, Alternative Minimum Tax—Fiduciaries.

Lines 15e(1) and 15e(2). Gross income from, and deductions allocable to, oil, gas, and geothermal properties.—The amounts reported on these lines include only the gross income from, and deductions allocable to, oil, gas, and geothermal properties that are included on line 1 of Schedule K-1. The partnership should attach a schedule that shows any income from or deductions allocable to such properties that are included on lines 2 through 11 and line 18b of Schedule K-1. Use the amounts reported on lines 15e(1) and 15e(2) and the amounts on the attached schedule to help you determine the net amount to enter on line 5i of Form 6251.

Line 15f. Other.—Enter the information on the schedule attached by the partnership for line 15f on the applicable lines of Form 6251.

Investment Interest

If the partnership paid or accrued interest on debts properly allocable to investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, see **Form 4952**, Investment Interest Expense Deduction, and **Pub. 550**, Investment Income and Expenses.

Line 16a. Interest expense on investment debts.—Enter this amount on Form 4952 along with your investment interest expense from other sources. Form 4952 will help you determine how much of your total investment interest is deductible.

Lines 16b(1) and (2). Investment income and investment expenses.—Use the amounts on these lines to determine the amount to enter on Form 4952.

Caution: *The amount shown on lines 16b(1) and (2) includes only investment income and expenses included on lines 4 and 10 of this Schedule K-1. The*

partnership should attach a schedule which shows the amount of any investment income and expenses included on any other lines of this Schedule K-1. Use these amounts to adjust lines 16b(1) and 16b(2) to determine your total investment income and total investment expenses from this partnership. Combine these totals with investment income and expenses from all other sources to determine the amount to enter on Form 4952.

Foreign Taxes

Lines 17a–17g.—Use the information on lines 17a through 17g, and on any attached schedules, to figure your foreign tax credit. For more information see **Form 1116**, Computation of Foreign Tax Credit—Individual, Fiduciary, or Nonresident Alien Individual, and the related instructions; **Form 1118**, Computation of Foreign Tax Credit—Corporations, and the related instructions; and **Pub. 514**, Foreign Tax Credit for U.S. Citizens and Resident Aliens.

Other

Line 18a.—The partnership will show on an attachment to line 18a the total qualified expenditures to which an election under section 59(e) may apply. It will also list both the amount of and the applicable period for each section 59(e) expense. Generally, section 59(e) allows partners who are individuals (including estates and trusts) to elect to deduct certain expenses ratably over the number of years in the applicable period rather than deduct the full amount in the current year. If you make this election, these items are not treated as tax preference items for purposes of alternative minimum tax. Make the election on Form 4562.

Because each partner must make the election under section 59(e), the partnership cannot provide you with the amount of any tax preference related to the expenses listed on line 18a. You must both decide how to claim the expenses on your return and compute any resulting tax preference item.

Line 18b.—Amounts included on the statement for this line are other amounts not included elsewhere such as:

a. Taxes paid on undistributed capital gains by a regulated investment company. (Form 1040 filers enter your share of these taxes on line 60, and add the words "Form 1065.")

b. Number of gallons of the fuels used during the tax year and the appropriate tax rate for each type of use identified on **Form 4136**, Computation of Credit for Federal Tax on Fuels, and in the related instructions. Also your share of the credit allowed for qualified diesel-powered highway vehicles as shown on Form 4136.

c. Your share of gross income from the property, share of production for the tax year, etc., needed to figure your depletion deduction for oil and gas wells. The partnership should also allocate to you a share of the adjusted basis of each partnership oil or gas property. See Pub. 535 for how to figure your depletion deduction.

d. Tax-exempt interest income earned by the partnership. You must report on your return, as an item of information, the amount of tax-exempt interest received or accrued during the year. Individual partners should report this amount on line 8b of Form 1040.

e. Recapture of expense deduction under section 179. If the recapture was caused by a disposition of the property, include the amount on Form 4797, line 16.

The amount to be recaptured will be limited to the amount you deducted in the prior year.

f. Any items you need to determine the basis of your partnership interest for purposes of section 704(d) because Question K on Schedule K-1 is not completed; or any items (other than those shown in Question B) you need to figure your amount at risk.

g. Any information or statements you need to comply with section 6661 (regarding substantial understatement of tax liability) or section 6111 (regarding tax shelters).

h. Farm production expenses. You may be eligible to elect to deduct these expenses currently or capitalize them under section 263A. See Pub. 225 and temporary regulations section 1.263A-1T(c).

i. Any information that you need to compute the interest due under section 453(l)(3) with respect to the disposition of certain timeshares and residential lots on the installment method. If you are an individual, report the interest on Form 1040, line 39. Write "453(l)(3)" and the amount of the interest on the dotted line to the left of line 39.

j. Any information that you need to compute the interest due under section 453A(c) with respect to certain installment sales. If you are an individual, report the interest on Form 1040, line 39. Write "453A(c)" and the amount of the interest on the dotted line to the left of line 39.

k. Any information that you need to compute the interest due or to be refunded under the look-back method of section 460(b)(3) on certain long- term contracts. Use **Form 8697,** Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report any such interest.

l. Any information that you need relating to interest expense that you are required to capitalize under section 263A with respect to production expenditures. See Notice 88-99, 1988-36 I.R.B. 29, for more information.

m. Any other information you may need to file your return that is not shown elsewhere on Schedule K-1.

The partnership should give you a description and the amount of your share for each of these items.

Recapture of Tax Credits

Line 19. Low-income housing credit.—The partnership will report separately on line 19(a) that portion of any recapture of a low-income housing credit with respect to which section 42(j)(5) applies. All other recapture of low-income housing credits will be reported on line 19(b). You must keep a separate record of recapture from each of these sources so that you will be able to correctly compute any recapture of low-income housing credit that may result from the disposition of all or part of your partnership interest. For more information, see the instructions for Form 8611.

Line 20. Investment credit.—When investment credit property is disposed of or ceases to be qualifying property or there is a decrease in the percentage of business use before the expiration of "life-years category" or "recovery period" assigned, you may have to recapture (pay back) the investment credit taken in prior years. Use the information on line 20 to figure your recapture tax on **Form 4255**, Recapture of Investment Credit. See the Form 3468 on which you took the original credit for other information you need to complete Form 4255.

You may also need Form 4255 if you disposed of more than one-third of your interest in a partnership. See Pub. 572 for more information.

Form **1120**

Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1988 or tax year beginning _____, 1988, ending _____, 19____

▶ For Paperwork Reduction Act Notice, see page 1 of the instructions.

OMB No. 1545-0123

1988

Check if a—

A Consolidated return ☐
B Personal holding co. ☐
C Personal service corp. (as defined in Temp. Regs. sec. 1.441-4T—see instructions) ☐

Use IRS label. Otherwise, please print or type.

Name

Number and street (or P.O. box number if mail is not delivered to street address)

City or town, state, and ZIP code

D Employer identification number

E Date incorporated

F Total assets (See Specific Instructions.)

Dollars	Cents
$	

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change in address

Income

1a	Gross receipts or sales	b Less returns and allowances	c Bal ▶	1c
2	Cost of goods sold and/or operations (Schedule A)			2
3	Gross profit (line 1c less line 2)			3
4	Dividends (Schedule C, line 19)			4
5	Interest			5
6	Gross rents			6
7	Gross royalties			7
8	Capital gain net income (attach separate Schedule D)			8
9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)			9
10	Other income (see instructions—attach schedule)			10
11	**Total** income—Add lines 3 through 10 and enter here		▶	11

Deductions (See instructions for limitations on deductions.)

12	Compensation of officers (Schedule E)			12
13a	Salaries and wages	b Less jobs credit	c Balance ▶	13c
14	Repairs			14
15	Bad debts			15
16	Rents			16
17	Taxes			17
18	Interest			18
19	Contributions (**see instructions for 10% limitation**)			19
20	Depreciation (attach Form 4562)	20		
21	Less depreciation claimed in Schedule A and elsewhere on return	21a		21b
22	Depletion			22
23	Advertising			23
24	Pension, profit-sharing, etc., plans			24
25	Employee benefit programs			25
26	Other deductions (attach schedule)			26
27	**Total** deductions—Add lines 12 through 26 and enter here		▶	27
28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)			28
29	**Less:** a Net operating loss deduction (see instructions)	29a		
	b Special deductions (Schedule C, line 20)	29b		29c

Tax and Payments

30	Taxable income (line 28 less line 29c)			30
31	**Total tax** (Schedule J)			31
32	**Payments:** a 1987 overpayment credited to 1988	32a		
b	1988 estimated tax payments	32b		
c	Less 1988 refund applied for on Form 4466	32c ( )	d Bal ▶ 32d	
e	Tax deposited with Form 7004		32e	
f	Credit from regulated investment companies (attach Form 2439)		32f	
g	Credit for Federal tax on fuels (attach Form 4136)		32g	32h
33	Enter any **penalty** for underpayment of estimated tax—check ▶ ☐ if Form 2220 is attached			33
34	**Tax due**—If the total of lines 31 and 33 is larger than line 32h, enter amount owed			34
35	**Overpayment**—If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			35
36	Enter amount of line 35 you want: **Credited to 1989 estimated tax** ▶		**Refunded** ▶	36

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer _____ Date _____ ▶ Title _____

Paid Preparer's Use Only

Preparer's signature ▶ _____ Date _____ Check if self-employed ☐ Preparer's social security number _____

Firm's name (or yours if self-employed) and address ▶ _____ E.I. No. ▶ _____ ZIP code ▶ _____

Schedule A Cost of Goods Sold and/or Operations (See instructions for line 2, page 1.)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4a	Additional section 263A costs (see instructions—attach schedule)	4a	
b	Other costs (attach schedule)	4b	
5	Total—Add lines 1 through 4b	5	
6	Inventory at end of year	6	
7	Cost of goods sold and/or operations—Line 5 less line 6. Enter here and on line 2, page 1	7	

8a Check all methods used for valuing closing inventory:

(i) ☐ Cost (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4 (see instructions)

(iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)

(iv) ☐ Other (Specify method used and attach explanation.) ▶

b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 8c

d Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the corporation? ☐ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Schedule C Dividends and Special Deductions (See Schedule C instructions.)

	(a) Dividends received	(b) %	(c) Special deductions multiply (a) × (b)
1 Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations (section 246A)		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		41.176	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		47.059	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8 Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9 **Total**—Add lines 1 through 8. See instructions for limitation			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))		100	
12 Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))		100	
13 Other dividends from foreign corporations not included in lines 3, 6, 7, 8, and 11			
14 Income from controlled foreign corporations under subpart F (attach Forms 5471)			
15 Foreign dividend gross-up (section 78)			
16 IC-DISC and former DISC dividends not included in lines 1, 2, and/or 3 (section 246(d))			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
19 Total dividends—Add lines 1 through 17. Enter here and on line 4, page 1. ▶			

20 Total deductions—Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶

Schedule E Compensation of Officers (See instructions for line 12, page 1.)

Complete Schedule E only if total receipts (line 1a, plus lines 4 through 10, of page 1, Form 1120) are $150,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	

2	Total compensation of officers	
3	Less: Compensation of officers claimed in Schedule A and elsewhere on return	( )
4	Compensation of officers deducted on line 12, page 1	

Schedule J Tax Computation (See instructions.)

1 Check if you are a member of a controlled group (see sections 1561 and 1563) . . . . . ▶ ☐

2 If line 1 is checked:

a Enter your share of the $50,000 and $25,000 taxable income bracket amounts (in that order):
(i) $ (ii) $

b Enter your share of the additional 5% tax (not to exceed $11,750) $

3 Income tax (See instructions to figure the tax). Check this box if the corporation is a qualified personal service corporation (see instructions) ▶ ☐ 3

4a Foreign tax credit (attach Form 1118) 4a

b Possessions tax credit (attach Form 5735) 4b

c Orphan drug credit (attach Form 6765) 4c

d Credit for fuel produced from a nonconventional source (see instructions) 4d

e General business credit. Enter here and check which forms are attached:
☐ Form 3800 ☐ Form 3468 ☐ Form 5884
☐ Form 6478 ☐ Form 6765 ☐ Form 8586 . . . . . 4e

f Credit for prior year minimum tax (attach Form 8801) 4f

5 Total—Add lines 4a through 4f 5

6 Line 3 less line 5 6

7 Personal holding company tax (attach Schedule PH (Form 1120)) 7

8 Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611 8

9a Alternative minimum tax (see instructions—attach Form 4626) 9a

b Environmental tax (see instructions—attach Form 4626) 9b

10 Total tax—Add lines 6 through 9b. Enter here and on line 31, page 1 10

Additional Information (See instruction F.)

	Yes	No
H Refer to the list in the instructions and state the principal:		
(1) Business activity code no. ▶		
(2) Business activity ▶		
(3) Product or service ▶		
I (1) Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		
(2) Did any individual, partnership, corporation, estate, or trust at the end of the tax year own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (c)		
(a) Attach a schedule showing name, address, and identifying number.		
(b) Enter percentage owned ▶		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instructions.) **Note:** *If "Yes," the corporation may have to file Form 5472.*		
If "Yes," enter owner's country ▶		
J Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 5471 for each such corporation.		

	Yes	No
K At any time during the tax year, did the corporation have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See instruction F and filing requirements for form TD F 90-22.1.) If "Yes," enter name of foreign country ▶		
L Was the corporation the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not the corporation has any beneficial interest in it? If "Yes," the corporation may have to file Forms 3520, 3520-A, or 926.		
M During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on **Form 851**, Affiliations Schedule, for each subsidiary.		
N During this tax year did the corporation maintain any part of its accounting/tax records on a computerized system?		
O Check method of accounting: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶		
P Check this box if the corporation issued publicly offered debt instruments with original issue discount ☐ If so, the corporation may have to file Form 8281.		
Q Enter the amount of tax-exempt interest received or accrued during the tax year ▶		
R Enter the number of shareholders at the end of the tax year if there were 35 or fewer shareholders ▶		

Schedule L Balance Sheets

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash				
2 Trade notes and accounts receivable				
a Less allowance for bad debts				
3 Inventories				
4 Federal and state government obligations				
5 Other current assets (attach schedule)				
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets				
a Less accumulated depreciation				
10 Depletable assets				
a Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
a Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets				
Liabilities and Stockholders' Equity				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)				
18 Loans from stockholders				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Capital stock: a Preferred stock				
b Common stock				
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach schedule)				
24 Retained earnings—Unappropriated				
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of Income per Books With Income per Return (You are not required to complete this schedule if the total assets on line 14, column (d), of Schedule L are less than $25,000.)

1 Net income per books		7 Income recorded on books this year not included in this return (itemize):	
2 Federal income tax		a Tax-exempt interest $	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
		8 Deductions in this tax return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted in this return (itemize):		a Depreciation $	
a Depreciation $		b Contributions carryover $	
b Contributions carryover $			
c Travel and entertainment $			
		9 Total of lines 7 and 8	
6 Total of lines 1 through 5		10 Income (line 28, page 1)—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 24, Schedule L) (You are not required to complete this schedule if the total assets on line 14, column (d), of Schedule L are less than $25,000.)

1 Balance at beginning of year		5 Distributions: a Cash	
2 Net income per books		b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
4 Total of lines 1, 2, and 3		7 Total of lines 5 and 6	
		8 Balance at end of year (line 4 less line 7)	

Form **1120-A**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Short-Form Income Tax Return

To see if you qualify to file Form 1120-A, see instructions.

For calendar year 1988 or tax year beginning _____, **1988, ending** _____, **19** _____

OMB No. 1545-0890

1988

A Check this box if corp. is a personal service corp. (as defined in Temp. Regs. sec. 1.441-4T—see instructions) ▶ ☐

Use IRS label. Otherwise, please print or type.

Name

Number and street (or P.O. box number if mail is not delivered to street address)

City or town, state, and ZIP code

B Employer identification number (EIN)

C Date incorporated

D Total assets (See Specific Instructions.)
Dollars | Cents
$

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Change in address

F Check method of accounting: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

Income

1a	Gross receipts or sales	b Less returns and allowances	Balance ▶ 1c
2	Cost of goods sold and/or operations (see instructions)		2
3	Gross profit (line 1c less line 2)		3
4	Domestic corporation dividends subject to the 70% deduction		4
5	Interest		5
6	Gross rents		6
7	Gross royalties		7
8	Capital gain net income (attach separate Schedule D (Form 1120))		8
9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)		9
10	Other income (see instructions)		10
11	**Total** income—Add lines 3 through 10 ▶		11

Deductions (See instructions for limitations on deductions.)

12	Compensation of officers (see instructions)		12
13a	Salaries and wages	b Less jobs credit	Balance ▶ 13c
14	Repairs		14
15	Bad debts		15
16	Rents		16
17	Taxes		17
18	Interest		18
19	Contributions **(see instructions for 10% limitation)**		19
20	Depreciation (attach Form 4562)	20	
21	Less depreciation claimed elsewhere on return	21a	21b
22	Other deductions (attach schedule)		22
23	**Total** deductions—Add lines 12 through 22 ▶		23
24	Taxable income before net operating loss deduction and special deductions (line 11 less line 23)		24
25	**Less:** a Net operating loss deduction (see instructions)	25a	
	b Special deductions (see instructions)	25b	25c

Tax and Payments

26	Taxable income (line 24 less line 25c)		26
27	**Total tax** (from Part I, line 7 on page 2)		27
28	**Payments:**		
a	1987 overpayment credited to 1988	28a	
b	1988 estimated tax payments	28b	
c	Less 1988 refund applied for on Form 4466	28c ( )	Bal ▶ 28d
e	Tax deposited with Form 7004		28e
f	Credit from regulated investment companies (attach Form 2439)		28f
g	Credit for Federal tax on fuels (attach Form 4136)		28g
h	Total payments—Add lines 28d through 28g		28h
29	Enter any **penalty** for underpayment of estimated tax—Check ▶ ☐ if Form 2220 is attached		29
30	**Tax due**—If the total of lines 27 and 29 is larger than line 28h, enter amount owed		30
31	**Overpayment**—If line 28h is larger than the total of lines 27 and 29, enter amount overpaid		31
32	Enter amount of line 31 you want: **Credited to 1989 estimated tax** ▶	**Refunded** ▶	32

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer _____ Date _____ ▶ Title _____

Paid Preparer's Use Only

Preparer's signature ▶ _____ Date _____ Check if self-employed ▶ ☐ Preparer's social security number

Firm's name (or yours if self-employed) and address ▶ _____ E.I. No. ▶ _____ ZIP code ▶ _____

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Form **1120-A** (1988)

Part I Tax Computation (See Instructions.)

1 Income tax (See instructions to figure the tax.) Check this box if the corp. is a qualified personal service corp. (See instructions.) ▶ ☐ — 1

2a General business credit. Check if from: ☐ Form 3800 ☐ Form 3468 ☐ Form 5884 ☐ Form 6478 ☐ Form 6765 ☐ Form 8586 — 2a

b Credit for prior year minimum tax (attach Form 8801) — 2b

3 Total credits—Add lines 2a and 2b — 3

4 Line 1 less line 3 — 4

5 Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611 — 5

6 Alternative minimum tax (see instructions—attach Form 4626) — 6

7 Total tax—Add lines 4 through 6. Enter here and on line 27, page 1 — 7

Additional Information (See instruction F.)

G Refer to the list in the instructions and state the principal

(1) Business activity code no. ▶

(2) Business activity ▶

(3) Product or service ▶

H Did any individual, partnership, estate, or trust at the end of the tax year own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) Yes ☐ No ☐

If "Yes," attach schedule showing name, address, and identifying number.

I Enter the amount of tax-exempt interest received or accrued during the tax year ▶

J (1) If an amount for cost of goods sold and/or operations is entered on line 2, page 1, complete (a) through (c):

(a) Purchases (see instructions) ▶

(b) Additional sec. 263A costs (See instructions — attach schedule) ▶

(c) Other costs (attach schedule) ▶

(2) Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the corporation? Yes ☐ No ☐

K At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See instruction F for filing requirements for form TD F 90-22.1.) Yes ☐ No ☐

If "Yes," write in the name of the foreign country ▶

L Enter amount of cash distributions and the book value of property (other than cash) distributions made in this tax year ▶

Part II Balance Sheets

		(a) Beginning of tax year	(b) End of tax year
Assets	1 Cash		
	2 Trade notes and accounts receivable		
	a Less: allowance for bad debts	( )	( )
	3 Inventories		
	4 Federal and state government obligations		
	5 Other current assets (attach schedule)		
	6 Loans to stockholders		
	7 Mortgage and real estate loans		
	8 Depreciable, depletable, and intangible assets		
	a Less: accumulated depreciation, depletion, and amortization	( )	( )
	9 Land (net of any amortization)		
	10 Other assets (attach schedule)		
	11 Total assets		
Liabilities and Stockholders' Equity	12 Accounts payable		
	13 Other current liabilities (attach schedule)		
	14 Loans from stockholders		
	15 Mortgages, notes, bonds payable		
	16 Other liabilities (attach schedule)		
	17 Capital stock (preferred and common stock)		
	18 Paid-in or capital surplus		
	19 Retained earnings		
	20 Less cost of treasury stock	( )	( )
	21 Total liabilities and stockholders' equity		

Part III Reconciliation of Income per Books With Income per Return (Must be completed by all filers)

1 Enter net income per books		5 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax			
3 Income subject to tax not recorded on books this year (itemize)		6 Deductions in this tax return not charged against book income this year (itemize)	
4 Expenses recorded on books this year not deducted in this return (itemize)		7 Income (line 24, page 1). Enter the sum of lines 1, 2, 3, and 4 less the sum of lines 5 and 6	

1988

Department of the Treasury
Internal Revenue Service

Instructions for Forms 1120 and 1120-A

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file the following forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to IRS
1120	68 hrs., 38 min.	39 hrs., 22 min.	69 hrs., 13 min.	7 hrs., 47 min.
1120-A	43 hrs., 17 min.	23 hrs., 56 min.	41 hrs., 31 min.	4 hrs., 34 min.
Sch. D (1120)	6 hrs., 28 min.	3 hrs., 35 min.	6 hrs., 39 min.	48 min.
Sch. PH (1120)	13 hrs., 9 min.	6 hrs., 29 min.	8 hrs., 52 min.	32 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Voluntary Contributions To Reduce the Public Debt

Quite often inquiries are received about how to make voluntary contributions to reduce the public debt. A corporation may contribute by enclosing with the tax return a check made payable to "Bureau of the Public Debt." Voluntary contributions to reduce the public debt are deductible subject to the rules and limitations for charitable contributions.

Important Tax Law Changes

These changes are a result of the Revenue Act of 1987 ("1987 Act") and the Technical and Miscellaneous Revenue Act of 1988. They apply to tax years beginning after 1987 unless otherwise noted.

Vacation pay.—The special election that allows accrual method taxpayers a deduction for additions to a reserve for vacation pay has been repealed. Generally, the amount now allowed as a deduction for vacation pay is limited to the amount of vacation pay earned during the year to the extent it is paid during the year or vested at the end of the year and paid within 2½ months after the end of the year.

The change from the reserve method is treated as a change in method of accounting initiated by the taxpayer and made with IRS consent. The net amount of the adjustment required by the change in accounting method equals the excess of the amount in the reserve at the end of the year preceding the year of change over the amount accrued at the end of the year preceding the year of change and paid within 2½ months after the close of that year. The net amount of the adjustment reduced by the balance in the suspense account under section 463(c) must be included in income as follows: 25% for the year of change, 5% in the 1st year after the year of change, 35% for the 2nd year after the year of change, and 35% in the 3rd year after the year of change. However, if Rev. Proc. 84-74, 1984-2 C.B. 736, requires the adjustment to be taken into account over a period of less than 4 years, the adjustment is to be included in income ratably over the shorter period. See 1987 Act section 10201 for more information.

Installment method for dealer dispositions of property.—The installment method for dispositions of property by dealers after 1987 has been repealed. In addition, the proportionate disallowance rules of section 453C have been repealed for dispositions after 1987. See section 453 for details and exceptions.

Long-term contracts.—Effective for long-term contracts entered into after October 13, 1987, and before June 21, 1988, that are accounted for under the percentage of completion-capitalized cost method, the percentage of items taken into account under the percentage of completion method has been increased to 70%. For long-term contracts (except certain residential construction contracts) entered into after June 20, 1988, that are accounted for under the percentage of completion-capitalized cost method, this percentage has been increased to 90%. Generally, builders of single-family residences and dwelling units in buildings containing 4 or fewer dwelling units are not required to use either the percentage of completion method or the percentage of completion-capitalized cost method for contracts entered into after June 20, 1988. See section 460 for details.

Capitalization of past service pension costs.—Contributions to a pension or annuity plan representing past service costs are now subject to the uniform capitalization rules of section 263A or the long-term contract rules of section 460. Thus, an allocable share of all otherwise allowable pension costs, whether they relate to current or past services, must be included in the basis of property produced or held for resale, including property the taxpayer produces under a long-term contract. This change in law is effective for costs incurred after 1987 for property (other than inventory) produced by the taxpayer, including costs allocable to long-term contracts under section 460. For inventory costs, the change is effective for tax years beginning after 1987, and is treated as a change in method of accounting initiated by the taxpayer and made with IRS consent. Any adjustment required under section 481(a) must be included in income over a period not to exceed 4 years.

Personal service corporations may elect a tax year other than a calendar year.—A personal service corporation (as defined in Temporary Regulations section 1.441-4T) may elect to have a tax year other than a calendar year rather than adopting or changing to a calendar year for tax years beginning after 1986. Electing corporations are subject to minimum distribution requirements under section 280H(c) for each year the election is in effect. If the corporation fails to make the required minimum distributions, the deduction allowable for certain amounts paid to employee-owners is limited to a maximum deductible amount and the excess is deferred until the following tax year. See **Form 8716,** Election To Have a Tax Year Other Than a Required Tax Year, for details.

Reduction in dividends-received deduction.—Generally, the 80% dividends-received deduction has been reduced to 70% for dividends received after 1987. However, an 80% dividends-received deduction has been retained for those recipient corporations that own 20% or more of the voting power and value of the stock of the issuing corporation. See the instructions for Schedule C, Form 1120, for more information.

Graduated rates denied to qualified personal service corporations.—Qualified personal service corporations are now taxed at a flat rate of 34% on their taxable income. See the instructions under **Tax Computation** for the definition of a qualified personal service corporation.

Recapture of LIFO amount by corporations that elect to be S corporations.—Generally, corporations that make S corporation elections after December 17, 1987, and that use the LIFO inventory pricing method for their last year as a C corporation must include a "LIFO recapture amount" in income for their last tax year as a C corporation. The corporation's LIFO recapture amount is equal to the excess of the inventory amount using the FIFO method over the inventory amount using the LIFO method at the close of the corporation's last tax year as a C corporation.

The additional tax resulting from inclusion of the LIFO recapture amount in income is payable in 4 equal installments. The first installment is due with the return for the electing corporation's last tax year as a C corporation. See the instructions for Schedule J, line 10, for more information on how to figure and report the first installment of tax due.

General Instructions

Note: *In addition to those publications listed throughout these instructions, taxpayers may wish to get* ***Publication 534,*** *Depreciation;* ***Publication 535,*** *Business Expenses; and* ***Publication 542,*** *Tax Information on Corporations.*

A. Purpose of Form

In general, **Form 1120,** U.S. Corporation Income Tax Return, and **Form 1120-A,** U.S. Corporation Short-Form Income Tax Return, are used to report income, gains, losses, deductions, and credits of U.S. corporations.

B. Filing Form 1120 and Form 1120-A

Who Must File

Domestic corporations not required to file a special return (see below), must file Form 1120, unless they qualify to file Form 1120-A. All domestic corporations (including corporations in bankruptcy) must file, whether or not they have any taxable income, unless exempt under section 501. (**Note:** *If an organization more nearly resembles a corporation than a partnership or trust, it will be considered an association taxed as a corporation.*)

Who May File Form 1120-A

Form 1120-A may be filed by a corporation if it meets **all** of the following requirements.

- Its gross receipts (line 1a on page 1) must be under $250,000.
- Its total income (line 11 on page 1) must be under $250,000.
- Its total assets (line 11, column (b), Part II on page 2) must be under $250,000.
- It does not have any ownership in a foreign corporation.
- It does not have foreign shareholders who own, directly or indirectly, 50% or more of its stock.
- It is not a member of a controlled group of corporations (sections 1561 and 1563).
- It is not a personal holding company (sections 541 through 547).
- It is not a consolidated corporate return filer.
- It is not a corporation undergoing a dissolution or liquidation.
- It is not filing its final tax return.
- Its only dividend income is from domestic corporations (none of which represents debt-financed securities), and those dividends qualify for the 70% deduction.
- It has no nonrefundable tax credits other than the general business credit and the credit for prior year minimum tax.
- It is not subject to environmental tax under section 59A.
- It has no liability for interest under section 453(l)(3) or 453A(c) (relating to certain installment sales) or installment payments of tax under section 453C or 1363(d).
- It is not required to file a special tax return as stated below under **Special Returns for Certain Organizations.**

Special Returns for Certain Organizations

Certain organizations, listed below, have to file special returns.

- Foreign corporations other than life and property and casualty insurance companies filing Forms 1120L and 1120-PC. File Form 1120F.
- Foreign sales corporations (section 922). File Form 1120-FSC.
- Life insurance companies (section 801). File Form 1120L.
- Property and casualty insurance companies (section 831). File Form 1120-PC.
- Farmers' cooperatives (section 1381). File Form 990-C.
- Exempt organizations with unrelated trade or business income. File Form 990-T.
- S corporations (section 1361). File Form 1120S.
- Interest charge domestic international sales corporations (section 992). File Form 1120-IC-DISC.
- Political organizations (section 527). File Form 1120-POL.
- Condominium management associations and residential real estate management associations that elect to be treated as homeowners associations under section 528. File Form 1120-H.
- Funds set up to pay for nuclear decommissioning costs (section 468A). File Form 1120-ND.
- Designated settlement funds (section 468B). File Form 1120-DF.
- Real estate investment trusts (section 856). File Form 1120-REIT.
- Entities that elect to be treated as real estate mortgage investment conduits (REMICs) under section 860D. File Form 1066.
- Regulated investment companies (section 851). File Form 1120-RIC.

When To File

In general, a corporation must file its income tax return by the 15th day of the 3rd month after the end of the tax year. A new corporation filing a short-period return must generally file by the 15th day of the 3rd month after the short period ends. A corporation that has dissolved must generally file by the 15th day of the 3rd month after the date it dissolved.

Extension.—File **Form 7004,** Application for Automatic Extension of Time To File Corporation Income Tax Return, to request an automatic 6-month extension of time to file.

Period covered.—File the 1988 return for calendar year 1988 and fiscal years that begin in 1988 and end in 1989. For a fiscal year, fill in the tax year space at the top of the form.

Note: *The 1988 Form 1120 may also be used if: (1) the corporation has a tax year of less than 12 months that begins and ends in 1989, and (2) the 1989 Form 1120 is not available by the time the corporation is required to file its return. However, the corporation must show its 1989 tax year on the 1988 Form 1120 and incorporate any tax law changes that are effective for tax years beginning after December 31, 1988.*

Initial return, final return, and change in address.—If this is the corporation's first return, check the "Initial return" box in item G, Form 1120, or item E, Form 1120-A. If the corporation ceases to exist, check the "Final return" box in item G and do not file Form 1120-A; use Form 1120. Indicate a change in address by checking the appropriate box.

Where To File

Use the preaddressed envelope. If you do not use the envelope, file your return at the applicable IRS address listed below.

If the corporation's principal business, office, or agency is located in ▼	Use the following Internal Revenue Service Center address ▼
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Florida, Georgia, South Carolina	Atlanta, GA 39901
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255

Corporations having their principal place of business outside the United States or claiming a possessions tax credit (section 936) must file with the Internal Revenue Service Center, Philadelphia, PA 19255.

The separate income tax returns of a group of corporations located in several Service Center regions may be filed with the Service Center for the area in which the principal office of the managing corporation that keeps all the books and records is located.

Signature

The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver,

trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If a corporate officer filled in the corporate tax return, the Paid Preparer's space under "Signature of officer" should remain blank. If someone prepares the tax return and does not charge the corporation, that person should not sign the return. Certain others who prepare the tax return should not sign. For example, a regular, full-time employee of the corporation, such as a clerk, secretary, etc., does not have to sign.

Generally, anyone who is paid to prepare the tax return must sign it and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The preparer required to sign the return **must** complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of the tax return to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045,** Information for Tax Practitioners, for more details.

C. Figuring and Paying the Tax

1. Accounting

Accounting methods.—Taxable income must be computed using the method of accounting regularly used in keeping the corporation's books and records. In all cases, the method adopted must clearly reflect taxable income. See section 446.

Generally, corporations engaged in farming operations must use the accrual method of accounting. See section 447 for exceptions.

Generally, corporations (other than qualified personal service corporations) are required to use the accrual method of accounting if their annual average gross receipts are $5,000,000 or more. See section 448(c). A corporation changing to the accrual method because of this provision must complete **Form 3115,** Application for Change in Accounting Method, and attach it to Form 1120 for the year of change. The corporation must also show on a statement accompanying Form 3115 the period over which the section 481(a) adjustment will be taken into account and the basis for that conclusion. See section 448 and Temporary Regulations sections 1.448-1T(g) and 1.448-1T(h) for more information. Include the amount reportable as income in 1988 under section 481(a) on line 10, page 1.

For long-term contracts (except certain real property construction contracts), entered into after February 28, 1986, taxpayers must elect either the percentage of completion method or the percentage of completion-capitalized cost method. See section 460; Notice 87-61, 1987-2 C.B. 370; and Notice 88-66, 1988-25 I.R.B. 41; for more information.

Unless the law specifically permits otherwise, the corporation may change the method of accounting used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115. Also see **Publication 538,** Accounting Periods and Methods.

Change in accounting period.—Generally, before changing an accounting period, the Commissioner's approval must be obtained (Regulations section 1.442-1) by filing **Form 1128,** Application for Change in Accounting Period. Also see Publication 538.

Personal service corporations as defined in Temporary Regulations section 1.441-4T (see the instructions for Item C on page 5) must adopt a calendar year unless:

(1) the corporation can establish to the satisfaction of the Commissioner that there is a business purpose for having a different tax year, or

(2) the corporation elects under section 444 to have a tax year other than a calendar year.

Personal service corporations that wish to establish a business purpose for having a different tax year should see Rev. Rul. 87-57, 1987-2 C.B. 117, for more information. Also see Rev. Proc. 87-32, 1987-2 C.B. 396, for procedures to use in adopting, retaining, or changing the corporation's tax year. Personal service corporations that wish to adopt or retain a noncalendar tax year must file requests to do so on Form 1128 in accordance with the procedures outlined in Rev. Proc. 87-32.

Personal service corporations that wish to elect under section 444 to have a tax year other than a calendar year must file Form 8716. Generally, Form 8716 must be filed by the earlier of: (1) the 15th day of the 5th month following the month that includes the 1st day of the tax year for which the election will be effective, or (2) the due date (not including extensions) of the income tax return resulting from the section 444 election. Electing corporations are subject to minimum distribution requirements under section 280H(c) for each year the election is in effect. If the corporation fails to make the required minimum distributions, the deduction allowable for certain amounts paid to employee-owners is limited to a maximum deductible amount under section 280H(d). Amounts not allowed as a deduction for the tax year are carried over to the following tax year.

2. Rounding Off to Whole-Dollar Amounts

The corporation may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

3. Depositary Method of Tax Payment

The corporation must pay the tax due in full when the return is filed but no later than 2½ months after the end of the tax year.

Deposit corporation income tax payments (and estimated tax payments) with a Federal Tax Deposit Coupon (**Form 8109**). Be sure to darken the "1120" box on the coupon. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve bank or branch servicing the geographic area where the corporation is located. Do not submit deposits directly to an IRS office; otherwise, the corporation may be subject to a failure to deposit penalty. Records of deposits will be sent to IRS for crediting to the corporation's account. See the instructions contained in the coupon book (Form 8109) for more information.

To help ensure proper crediting to your account, write your employer identification number, "Form 1120," and the tax period to which the deposit applies on your check or money order.

To get more deposit coupons, use the reorder form (**Form 8109A**) provided in the coupon book.

For more information concerning deposits, see **Publication 583,** Information for Business Taxpayers.

4. Backup Withholding

If a person receives certain payments and does not give the payer the correct employer identification number, the payer will withhold taxes from those payments. This type of withholding is called "backup withholding." If the corporation has had any backup withholding withheld from payments, the corporation should show this amount in the blank space in the righthand column between lines 31 and 32h, page 1, Form 1120, and label the amount as "backup withholding." The corporation should then include the amount in the total for line 32h. On Form 1120-A, include the amount of backup withholding on line 28h, page 1, and write "backup withholding" and the amount on the dotted line to the left of line 28h.

5. Estimated Tax

Generally, a corporation must make estimated tax payments if it can expect its estimated tax (income tax minus credits) to be $500 or more. Use **Form 1120-W,** Corporation Estimated Tax, as a worksheet to compute estimated tax. Use the Payment Coupons (Forms 8109) in making deposits of estimated tax.

If a corporation is the beneficiary of a trust, and the trust makes a section 643(g) election to credit its estimated tax payments to its beneficiaries, include the corporation's share of the estimated tax payment in the total amount entered on line 32b, Form 1120. In the blank space to the left of the entry space for line 32b, write "Sec. 643(g)," and the amount attributable to it. On Form 1120-A, include the corporation's share of the section 643(g) payment on line 28b and identify it as shown above for Form 1120.

If the corporation overpaid estimated tax, it may be able to get a "quick refund" by filing **Form 4466,** Corporation Application for Quick Refund of Overpayment of Estimated Tax. The overpayment must be both: **(1)** at least 10% of expected income tax liability, and **(2)** at least $500. To apply, file Form 4466 within 2½ months after the end of the tax year and before the corporation files its tax return.

6. Timing Change in Deducting Accrued Expenses

Generally, an accrual basis taxpayer can deduct accrued expenses in the tax year that all events have occurred that determine the liability, and the amount of the liability can be figured with reasonable accuracy. However, generally all the events that establish liability for the amount are treated as occurring only when economic performance takes place. There are exceptions for recurring items. See section 461(h).

7. Rule of 78's Not an Acceptable Method of Figuring Interest

Taxpayers are reminded that, generally, the Rule of 78's is not an acceptable method for computing interest income and expense. Anyone using the Rule of 78's should see Revenue Procedures 84-27, 84-28, 84-29, and 84-30, (which are in Cumulative Bulletin 1984-1) to change their method.

D. Interest and Penalties

Interest and penalty charges are described below. If a corporation files late or fails to pay the tax when due, it may be liable for penalties unless it can show that failure to file or pay was due to reasonable cause and not willful neglect.

1. Interest.—Interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, gross valuation overstatements, and substantial understatements of tax from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

2. Late Filing of Return.—A corporation that fails to file its return when due (including extensions of time for filing) may be subject to a penalty of 5% a month or fraction of a month, up to a maximum of 25%, for each month the return is not filed. The penalty is imposed on the net amount due. The minimum penalty for failure to file a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or $100.

3. Late Payment of Tax.—Generally, the penalty for not paying tax when due is ½ of 1% of the unpaid amount, up to a maximum of 25%, for each month or fraction of a month the tax remains unpaid. The penalty is imposed on the net amount due.

4. Underpayment of Estimated Tax.—A corporation that fails to make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. In general, to avoid the estimated tax penalty, the corporation must make estimated tax payments of at least the smaller of 90% of the tax shown on the return or 100% of its prior year's tax. See section 6655 for details and exceptions.

Form 2220, Underpayment of Estimated Tax by Corporations, is used to see if the corporation owes a penalty and to figure the amount of the penalty. Generally, the corporation does not have to file this form because IRS can figure the amount of any penalty and bill the corporation for it. However, you must complete and attach Form 2220 even if the corporation does not owe the penalty if: **(a)** the annualized income or adjusted seasonal installment method is used, or **(b)** the corporation is a "large corporation" computing its first required installment based on the prior year's tax. If you attach Form 2220, be sure to check the box on line 33, Form 1120, or line 29, Form 1120-A, and enter the amount of any penalty on this line.

5. Overstated Tax Deposits.—If deposits are overstated, the corporation may be subject to a penalty of 25% of the overstated deposit claim. See section 6656(b).

6. Other Penalties.—There are also penalties that can be imposed for negligence, substantial understatement of tax, and fraud. See sections 6653 and 6661.

E. Other Forms, Returns, Schedules, and Statements That May Be Required

1. Forms

The corporation may have to file any of the following:

Forms W-2 and W-3. Wage and Tax Statement; and Transmittal of Income and Tax Statements.

Form W-2P. Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

Form 966. Corporate Dissolution or Liquidation.

Form 1096. Annual Summary and Transmittal of U.S. Information Returns.

Form 1098. Mortgage Interest Statement. This form is used to report the receipt from any individual of $600 or more of mortgage interest in the course of the corporation's trade or business for any calendar year.

Forms 1099-A, B, DIV, INT, MISC, OID, PATR, R, and S. Information returns for reporting abandonments, acquisitions through foreclosure, proceeds from broker and barter exchange transactions, certain dividends and distributions, interest payments, payments for certain fishing boat crew members, medical and dental health care payments, direct sales of consumer goods for resale, miscellaneous income payments, nonemployee compensation, original issue discount, patronage dividends, total distributions from profit-sharing plans, retirement plans and individual retirement arrangements, and proceeds from real estate transactions. Also use these returns to report amounts that were received as a nominee on behalf of another person.

For more information, see **Publication 916,** Information Returns.

Note: *Every corporation must file information returns if, in the course of its trade or business, it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling $600 or more to any one person during the calendar year.*

Form 5452. Corporate Report of Nontaxable Dividends.

Form 5498. Individual Retirement Arrangement Information. Use this form to report contributions (including rollover contributions) to an individual retirement arrangement (IRA) and the value of an IRA or simplified employee pension account.

Form 5713. International Boycott Report, for persons having operations in or related to "boycotting" countries. In addition, persons who participate in or cooperate with an international boycott may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, IC-DISC benefits, and FSC benefits.

Form 8264. Application for Registration of a Tax Shelter. It is used by tax shelter organizers to register tax shelters with the IRS, for the purpose of receiving a tax shelter registration number.

Form 8271. Investor Reporting of Tax Shelter Registration Number. It is used by taxpayers who have acquired an interest in a tax shelter, which is required to be registered, to report the tax shelter's registration number. Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1139) and an amended return (Form 1120X)) on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter is taken or any income attributable to a tax shelter is reported.

Form 8281. Information Return for Publicly Offered Original Issue Discount Instruments. This form is generally required to be filed by issuers of public offerings of debt instruments within 30 days of the issuance of the debt instrument.

Form 8283. Noncash Charitable Contributions. Generally, this form must be completed and attached to Form 1120 or 1120-A if the corporation made a contribution after June 6, 1988, in property other than money and the total claimed deduction of all property contributed was more than $5,000. Closely held corporations and personal service corporations must complete and attach this form for contributions of property other than money if the total claimed deduction of all property contributed was more than $500.

Form 8300. Report of Cash Payments Over $10,000 Received in a Trade or Business. Generally, this form is used to report the receipt of more than $10,000 in cash or foreign currency in one transaction (or a series of related transactions).

Form 8697. Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Use this form to figure the interest due or to be refunded under the look-back method of section 460(b)(3) on long-term contracts entered into after February 28, 1986, that are accounted for under either the percentage of completion-capitalized cost method or the percentage of completion method.

Form 8810. Corporate Passive Activity Loss and Credit Limitations. Closely held corporations and personal service corporations, which are subject to the passive activity limitations of section 469, use this form to compute their allowable passive activity loss and credit.

2. Consolidated Return

The parent corporation of an affiliated group of corporations must attach **Form 851,** Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, each subsidiary must attach **Form 1122,** Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return.

File supporting statements for each corporation included in the consolidated return. Use columns to show the following, both before and after adjustments:

- Items of gross income and deductions.
- A computation of taxable income.
- Balance sheets as of the beginning and end of the tax year.
- A reconciliation of income per books with income per return.
- A reconciliation of retained earnings.

Attach consolidated balance sheets and a reconciliation of consolidated retained earnings.

3. Statements

Stock ownership in foreign corporations.—Attach the required statement to Form 1120 if the corporation owned 5% or more in value of the outstanding stock of a foreign personal holding company and the corporation was required to include in its gross income any undistributed foreign personal holding company income from a foreign personal holding company. See section 551(c).

A corporation that controls a foreign corporation; or that is a 10%-or-more shareholder of a controlled foreign corporation; or acquires, disposes of, or owns 5% or more ownership in the outstanding stock of a foreign corporation, may have to file **Form 5471**, Information Return with Respect to a Foreign Corporation.

A domestic corporation or a foreign corporation that is engaged in a trade or business in the United States and is controlled by a foreign person may have to file **Form 5472**, Information Return of a Foreign-Owned Corporation.

Transfers to a corporation controlled by the transferor.—If a person receives stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the person (transferor) and the transferee must attach to Form 1120 the information required by Regulations section 1.351-3.

4. Amended Return

Use **Form 1120X**, Amended U.S. Corporation Income Tax Return, to correct any error in a previously filed Form 1120 or Form 1120-A.

5. Financial Statements

A corporation is not required to complete Schedules M-1 and M-2 (Form 1120 only) if the corporation's total assets at the end of the tax year (line 14, column (d) of Schedule L, Form 1120) are less than $25,000.

6. Attachments

Attach **Form 4136**, Computation of Credit for Federal Tax on Fuels, after page 4, Form 1120, or page 2, Form 1120-A. Attach schedules in alphabetical order and other forms in numerical order after Form 4136.

In order to process the return we ask that you complete every applicable entry space on Form 1120. Please do not attach statements and write "See attached" in lieu of completing the entry spaces on Form 1120.

If more space is needed on the forms or schedules, attach separate sheets indicating at the top of each attachment the form number or schedule letter of the form or schedule being continued. Also, show the same information called for on the form in the same order as on the printed forms. **Be sure to show totals on the printed forms.** Please use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the schedules and forms. Also, put the corporation's name and employer identification number (EIN) on each sheet.

F. Additional Information

Be sure to answer questions H through R on page 3, Form 1120, or questions G through L on page 2, Form 1120-A. The instructions that follow are keyed to these questions.

1. Question I(2)(c), Form 1120 only

U.S. person.—The term "U.S. person" means:

1. A citizen or resident of the United States;
2. A domestic partnership;
3. A domestic corporation; or
4. Any estate or trust (other than a foreign estate or trust within the meaning of section 7701(a)(31)).

"Owner's country," for individuals, is the owner's country of residence. For all others, it is the country where incorporated, organized, created, or administered.

2. Question K

Foreign financial accounts.—Check the "Yes" box if either **a** or **b** below applies to the corporation; otherwise, check the "No" box.

a. At any time during the year the corporation had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); AND

- The combined value of the accounts was more than $10,000 at any time during the year; AND
- The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

b. The corporation owns more than 50% of the stock in any corporation that would answer "Yes" to item **a** above.

Get form **TD F 90-22.1**, Report of Foreign Bank and Financial Accounts, to see if the corporation is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If "Yes" is checked for this question, file form TD F 90-22.1 by June 30, 1989, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not file it with Form 1120.

Form TD F 90-22.1 may be obtained from IRS Forms Distribution Centers.

Also, if "Yes" is checked for this question, write the name of the foreign country or countries. Attach a separate sheet if more space is needed.

3. Question Q, Form 1120, and Question I, Form 1120-A

Report any tax exempt interest received or accrued in the space provided. Include any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Specific Instructions

Item C. Personal service corporation.—The term "personal service corporation" means a corporation whose principal activity during the testing period for the tax year is the performance of personal services that are substantially performed by employee-owners who own more than 10% of the fair market value of the corporation's outstanding stock as of the last day of the testing period for the tax year.

The testing period for a tax year is the tax year preceding such tax year, except for a new corporation. The testing period for a new corporation (one in its first tax year) is the period beginning on the first day of its first tax year and ending on the earlier of the last day of its first tax year or the last day of the calendar year in which the first tax year began.

Activities of the taxpayer that are treated as the performance of personal services are limited to activities of the taxpayer that involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting (as such fields are defined in Temporary Regulations section 1.448-1T).

Personal services are substantially performed by employee-owners if more than 20% of the corporation's compensation cost for the testing period attributable to the performance of personal services is attributable to personal services performed by employee-owners.

A person is considered to be an employee-owner if the person is an employee of the corporation on any day of the testing period and the person owns any outstanding stock of the corporation on any day of the testing period. Stock ownership is determined under the attribution rules of section 318 (except that "any" is substituted for "50%" in section 318(a)(2)(C)).

For details, see Temporary Regulations section 1.441-4T.

Item D. Employer identification number. If the employer identification number (EIN) on the label is wrong or if the corporation did not receive a label, enter the correct number at the top of the return.

A corporation that does not have an EIN should apply for one on **Form SS-4**, Application for Employer Identification Number. This form may be obtained from most IRS and Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center to which Form 1120 or Form 1120-A is mailed. If the EIN has not been received by the filing time for the corporation return, write "Applied for" in the space for the EIN.

For more information concerning an EIN, see Publication 583.

Item F. Total Assets. Enter the total assets of the corporation. If there are no assets at the end of the tax year, enter the total assets as of the beginning of the tax year.

Income

Note: *Generally, income from all sources, whether U.S. or foreign, must be included.*

Line 1

Gross receipts

Enter gross receipts or sales from all business operations except those that must be reported on lines 4 through 10. For reporting advance payments, see Regulations section 1.451-5.

The rules for long-term contracts have been changed by the Revenue Act of 1987 and the Technical and Miscellaneous Revenue Act of 1988. See section 460 for more information.

Changes have also been made to the installment method. Effective for dispositions after 1987, the installment method is no longer available for dealer dispositions of property. In addition, the proportionate disallowance rules of section 453C have been repealed for dispositions after 1987. However, a dealer disposition does not include: **(1)** the disposition of property used or produced in the trade or business of farming, or **(2)** certain dispositions of timeshares and residential lots if the taxpayer elects to pay interest under section 453(l)(3). See section 453(l) for more information.

Effective for tax years beginning after 1987, the installment method has also been repealed for installment obligations arising from dealer dispositions of property after February 28, 1986, and before January 1, 1988. If the corporation was reporting these obligations on the installment method, the gain that remains to be recognized as of the first day of the corporation's first tax year beginning after 1987 must be included in income as a section 481(a) adjustment over a period not to exceed 4 tax years. The rules of Rev. Proc. 84-74 are used to figure the amount includible each year, except that the section 481(a) adjustment must be included in income at a rate no slower than the rate of contraction of the corporation's dealer installment obligations. Do not include in the section 481(a) adjustment any gain that is taken into account under section 811(c)(6) of the Tax Reform Act of 1986 ("1986 Act") (transition rule for sales of real property by dealers). Similarly, the section 481(a) adjustment is not affected by section 811(c)(7) of the 1986 Act, which permits the delayed payment of certain tax for sales of personal property by dealers. Both of these rules continue to apply to installment obligations arising out of dealer dispositions occurring after February 28, 1986, and before January 1, 1988. Include the amount reportable as income in 1988 on line 10, page 1, and attach a computation. The change of accounting method is treated as initiated by the taxpayer and made with IRS consent.

For dealer dispositions of property before March 1, 1986, dispositions of property used or produced in the trade or business of farming, and certain dispositions of timeshares and residential lots reported under the installment method, enter on line 1 the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing the following for the current year and the 3 preceding years: **a.** gross sales, **b.** cost of goods sold, **c.** gross profits, **d.** percentage of gross profits to gross sales, **e.** amount collected, and **f.** gross profit on amount collected. For sales of timeshares and residential lots reported under the installment method, the corporation's income tax is increased by the interest payable under section 453(l)(3). To report this addition to the tax, see the instructions for line 10, Schedule J, Form 1120.

Accrual basis taxpayers need not accrue certain amounts to be received from the performance of services which, on the basis of their experience, will not be collected (section 448(d)(5)). This provision does not apply to any amount if interest is required to be paid on such amount or if there is any penalty for failure to timely pay such amount. Corporations that fall under this provision should attach a schedule showing total gross receipts, amount not accrued as a result of the application of section 448(d)(5), and the net amount accrued. The net amount should be entered on line 1a. For more information and guidelines on this "non-accrual experience method," see Temporary Regulations section 1.448-2T.

Line 2

Cost of goods sold and/or operations

Both Form 1120 and Form 1120-A filers must enter their cost of goods sold and/or operations on line 2, page 1, of their respective forms. However, a Form 1120 filer must also complete Schedule A on page 2 of the form.

While there is not a similar schedule on Form 1120-A to compute this entry, the following worksheet is provided to help in figuring this amount.

Note: *If a corporation is using either Schedule A, Form 1120, or the following worksheet to figure cost of operations, where inventories are not an income-determining factor, it should do so by entering a zero on lines 1 and 6 of the schedule or worksheet.*

Form 1120 filers using Schedule A and Form 1120-A filers using the worksheet below should see the instructions below under **Section 263A Uniform Capitalization Rules** before completing Schedule A or the worksheet.

Worksheet (Form 1120-A)

1	Inventory at start of year (enter here and on page 2, Part II, line 3, Column (a), Form 1120-A)	
2	Purchases (enter here and on page 2, item 2(1)(a), Form 1120-A)	
3	Cost of labor (enter here and include in total on page 2, item 2(1)(c), Form 1120-A)	
4a	Additional section 263A costs (enter here and on page 2, item 2(1)(b)) (see instructions)	
b	Other costs (enter here and include on page 2, item 2(1)(c))	
5	Subtotal—Add lines 1 through 4b	
6	Inventory at end of year (enter here and on page 2, Part II, line 3, Column (b), Form 1120-A)	
7	Total cost of goods sold and/or operations—Line 5 less line 6 (enter here and on page 1, line 2, Form 1120-A)	

Inventory valuation methods. Inventories can be valued at: **(1)** cost; **(2)** cost or market value (whichever is lower); or **(3)** any other method that is approved by the Commissioner of Internal Revenue, and that conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. Such a change should be made by filing Form 3115. For more information about the change, see Regulations section 1.446-1(e)(3) and Rev. Proc. 84-74.

On line 8a of Schedule A, Form 1120 only, check the method(s) used for valuing inventories. Under "lower of cost or market," *market* generally applies to normal market conditions where there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more requirements, see Regulations section 1.471-4.

Inventory may be valued below cost when the merchandise is: **(1)** unsalable at normal prices, or **(2)** unusable in the normal way because the goods are "subnormal" (that is because of damage, imperfections, shop wear, etc.) within the meaning of Regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price, minus direct cost of disposition (but not less than scrap value) if such a price can be established. See Regulations section 1.471-2(c) for more requirements.

If this is the first year the "Last-in First-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method provided in section 472, attach **Form 970**, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970. Also check the LIFO box on line 8b of Schedule A, Form 1120 only. Enter the amount or percent of total closing inventories covered under section 472 on line 8c. Estimates are acceptable.

If the corporation changed or extended its inventory method to LIFO and had to "write up" its opening inventory to cost in the year of election, report the effect of this writeup as income (line 10, page 1) proportionately over a 3-year period that begins in the tax year you made this election (section 472(d)).

Section 263A Uniform Capitalization Rules. The uniform capitalization rules of section 263A are discussed in general in the instructions for **Limitations on deductions** on page 7. See those instructions before proceeding.

Schedule A, Form 1120, and Worksheet, Form 1120-A

Line 4a.—An entry is required on this line only for corporations that have elected a simplified method of accounting. In the case of taxpayers that have elected the simplified production method, additional section 263A costs are generally those costs, other than interest, that were not capitalized or included in the inventory costs under the taxpayer's method of accounting immediately prior to the effective date in Temporary Regulations section 1.263A-1T, but that are now required to be capitalized under section 263A. In the case of taxpayers that have elected a simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories: off-site storage or warehousing, purchasing, handling, processing, assembly, and repackaging, and general and administrative costs (mixed service costs). Enter on line 4a the balance of section 263A costs paid or incurred during the taxable year not included on lines 2 and 3. See Temporary Regulations section 1.263A-1T for more information.

Line 4b.—Enter on line 4b any costs paid or incurred during the taxable year not entered on lines 2 through 4a.

Line 6.—See Temporary Regulations section 1.263A-1T for more information on computing the amount of additional section 263A costs to be capitalized and added to ending inventory.

Line 4

Dividends

Form 1120-A filers.—Because Form 1120-A can be filed by corporations that only received dividends from domestic corporations (that are not from debt-financed stock) that qualify for the 70% dividends-received deduction, they should enter the total of those dividends on line 4, page 1, Form 1120-A.

Form 1120 filers.—See the instructions for Schedule C, Form 1120.

Line 5

Interest

Enter taxable interest on U.S. obligations and on loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc.

Do not offset interest expense against interest income.

Special rules apply to interest income from certain below-market rate loans. See section 7872 for more information.

Line 6

Gross rents

Enter the gross amount received for the rent of property. Deduct expenses such as repairs, interest, taxes, and depreciation on the proper lines for deductions.

Line 8

Capital gain net income

Every sale or exchange of a capital asset must be reported in detail on **Schedule D (Form 1120)**, Capital Gains and Losses, even though no gain or loss is indicated.

Line 9

Net gain or (loss)

Enter the net gain or (loss) from line 18, Part II, **Form 4797**, Sales of Business Property.

Line 10

Other income

Enter any other taxable income not listed above, and explain its nature on an attached schedule. Examples of other income are recoveries of bad debts deducted in prior years under the specific charge-off method; the amount of credit for alcohol used as fuel (determined without regard to the limitation based on tax) that was entered on **Form 6478**, Credit for Alcohol Used as Fuel; and refunds of taxes deducted in prior years to the extent they reduced income subject to tax in the year deducted (see section 111). Do not offset current year's taxes with tax refunds.

If "other income" consists of only one item, describe it in parentheses on line 10.

Deductions

Limitations on deductions

1. Section 263A uniform capitalization rules.— The uniform capitalization rules of section 263A require corporations to capitalize or include in inventory certain costs incurred in connection with the production of real and personal tangible property held in inventory or held for sale in the ordinary course of business. Tangible personal property produced by a taxpayer includes a film, sound recording, videotape, book, or similar property. The rules also apply to personal property (tangible and intangible) acquired for resale. Taxpayers subject to the rules are required to capitalize not only direct costs but an allocable portion of most indirect costs (including taxes) that relate to the assets produced or acquired for resale. Interest expense paid or incurred during the production period of certain property must be capitalized and is governed by special rules. For more information, see Notice 88-99, 1988-36 I.R.B. 29. The uniform capitalization rules also apply to the production of property constructed or improved by a taxpayer for use in its trade or business or in an activity engaged in for profit.

Section 263A does not apply to personal property acquired for resale if the taxpayer's annual average gross receipts are $10,000,000 or less. It does not apply to timber or to property produced under a long-term contract. Special rules apply for farmers. The rules do not apply to property which is produced for use by the taxpayer if substantial construction has occurred before March 1, 1986.

In the case of inventory, some of the indirect costs that must be capitalized are administration expenses; taxes; depreciation; insurance; compensation paid to officers attributable to services; rework labor; and contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans.

The costs required to be capitalized under section 263A are not deductible until the property to which the costs relate is sold, used, or otherwise disposed of by the corporation.

Current deductions may still be claimed for research and experimental costs under section 174, intangible drilling costs for oil and gas and geothermal property, and mining and exploration and development costs. Temporary Regulations section 1.263A-1T specifies other indirect costs that may be currently deducted and those that must be capitalized with respect to production or resale activities. For more information, see Temporary Regulations section 1.263A-1T.

Generally, corporations required to change their method of accounting under section 263A must complete section A (items 1a, 3a, 3b, 4a, 11 and 12) and section D of Form 3115 (Rev. 11-87 or later) and the section 263A checklist contained in Notice 88-92, 1988-34 I.R.B. 23 (reprinted as **Publication 1426**, Automatic Change in Method To Comply With Section 263A), for each trade or business to which section 263A applies. You may choose your own format for reproducing the questions and answers for the section 263A checklist referred to in the notice. The Form 3115 and section 263A checklist must be attached to Form 1120 (or 1120-A) for the year of the change. However, if the first return to which section 263A applies was filed before October 21, 1988, and Form 3115 and the section 263A checklist were not filed with that return (or Form 3115 was filed without the section 263A checklist), Form 3115 (or a copy of the previously filed Form 3115) and the section 263A checklist must be attached to the first return filed after October 20, 1988. Identify the change at the top of page 1 of Form 3115 by printing or typing "Automatic Change in Accounting Method Under Section 263A." See Notice 88-92 for details.

Exceptions: *The requirement to file Form 3115 or the section 263A checklist does not apply to any corporation required to change its accounting method under section 263A with respect to: (i) property produced in a farming business, or (ii) property produced by the corporation to be used in the corporation's trade or business (but only if the corporation's average annual gross receipts for the 3 tax years preceding the year of change do not exceed $10 million).*

2. Transactions between related taxpayers.—Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See section 267 for limitation on deductions for unpaid expenses and interest.

3. Section 291 limitations.—Corporations may be required to adjust deductions for depletion of iron ore and coal, intangible drilling and exploration and development costs, bad debt deductions for financial institutions, and the amortizable basis of pollution control facilities. See section 291 to determine the amount of adjustment.

4. Golden parachute payments.—A portion of the payments made by a corporation to key personnel that exceeds their usual compensation may not be deductible. This occurs when the corporation has an agreement (golden parachute) with these key employees to pay them these excessive amounts if control of the corporation changes. See section 280G.

5. Business startup expenses.—Business startup expenses are required to be capitalized unless an election is made to amortize them over a period of 60 months. See section 195.

6. Passive activity limitations.—Limitations on passive activity losses and credits under section 469 apply to closely held corporations (defined below) and personal service corporations as defined in Temporary Regulations section 1.441-4T (see the instructions for item C on page 5). A corporation is a closely held corporation for this purpose if at any time during the last half of the tax year more than 50% in value of its outstanding stock is owned, directly or indirectly, by or for not more than 5 individuals, and the corporation is not a personal service corporation. Certain organizations are treated as individuals for purposes of this test. (See section 542(c).) For rules of determining stock ownership, see section 544 (as modified by section 465(a)(3)).

There are two kinds of passive activities: trade or business activities in which the corporation did not materially participate for the tax year, and rental activities regardless of its participation. An activity is a trade or business activity if the activity involves the conduct of a trade or business (i.e., deductions from the activity would be allowable under section 162 if other limitations, such as the passive loss rules, did not apply), or research or experimental expenditures in the activity are deductible under section 174 (or would be deductible if the corporation chose to deduct rather

than capitalize them), and the activity is not a rental activity. Temporary Regulations section 1.469-1T(g)(3) defines material participation of corporations.

Generally, losses from passive activities can be deducted only to the extent of income from passive activities. Passive activity credits generally are limited to the tax attributable to net passive income. Closely held corporations are allowed to increase: (i) the limitation on losses from passive activities by the amount of net active income, and (ii) the limitation on passive activity credits by the tax attributable to net active income. See Temporary Regulations section 1.469-1T(g)(4) for the definition of net active income. Phase-in rules apply to certain passive activities acquired before October 23, 1986. For tax years beginning in 1988, 40% of the current year passive activity loss and credit from these activities is allowed. Generally, passive activity losses and credits that are not allowed in the current year are carried forward for use in later years.

Corporations subject to the passive activity limitations must complete **Form 8810**, Corporate Passive Activity Loss and Credit Limitations, to compute their allowable passive activity loss and credit. Before completing Form 8810, see Temporary Regulations section 1.163-8T, which provides rules for allocating interest expense among activities. If a passive activity is also subject to the at-risk rules of section 465, the at-risk rules apply before the passive loss rules. For more information, see section 469, the temporary regulations thereunder, and **Publication 925**, Passive Activity and At-Risk Rules.

Line 12

Compensation of officers

Besides entering officers' compensation deductible on line 12, filers of Form 1120 must complete Schedule E on page 2 if their total receipts (line 1a, plus lines 4 through 10, of page 1, Form 1120) are $150,000 or more. Do not include compensation deductible elsewhere on the return, such as amounts included in cost of goods sold and/or operations, elective contributions to a section 401(k) cash or deferred arrangement, or amounts contributed under a salary reduction SEP agreement.

Complete Schedule E, line 1, columns (a) through (f), for all officers. The corporation determines who is an officer under the laws of the state where incorporated.

In a consolidated return, each member of an affiliated group must furnish this information.

Line 13

Salaries and wages

Enter on line 13a the amount of total salaries and wages paid or incurred for the tax year. Do not include salaries and wages deductible elsewhere on the return, such as amounts included in cost of goods sold and/or operations, elective contributions to a section 401(k) cash or deferred arrangement, or amounts contributed under a salary reduction SEP agreement.

Caution: *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount allocated for depreciation and other expenses that you claimed on lines 20 and 26, Form 1120, or lines 20 and 22, Form 1120-A.*

Enter on line 13b the amount of jobs credit from **Form 5884**, Jobs Credit.

Line 14

Repairs

Enter the cost of incidental repairs not claimed elsewhere on the return, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life.

Line 15

Bad debts

Enter the total debts that became worthless in whole or in part during the tax year. A small bank or thrift institution using the reserve method should attach a schedule showing how it arrived at the current year's provision.

Line 17

Taxes

Enter taxes paid or accrued during the tax year, but do not include the following:

1. Federal income taxes.
2. Foreign or U.S. possession income taxes if a tax credit is claimed.
3. Taxes not imposed on the corporation; or
4. Taxes, including state or local sales taxes, that are paid or incurred in connection with an acquisition or disposition of property (such taxes must be treated as a part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition).

See section 164(d) for apportionment of taxes on real property between seller and purchaser.

If the corporation is liable for environmental tax under section 59A, see **Form 4626**, Alternative Minimum Tax—Corporations, for computation of the environmental tax deduction.

Line 18

Interest

Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest is wholly exempt from income tax. For exceptions, see section 265(b).

Mutual savings banks, building and loan associations, and cooperative banks can deduct the amounts paid or credited to the accounts of depositors as dividends, interest, or earnings. See section 591.

Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years following the current tax year. For example, a cash basis calendar year taxpayer who in 1988 prepaid interest allocable to any period after 1988 can deduct only the amount allocable to 1988. See **Publication 545**, Interest Expense.

Generally, the interest and carrying charges on straddles cannot be deducted and must be capitalized. See section 263(g).

Do not deduct interest on debt allocable to the production of qualified property. Interest that is allocable to such property produced by a corporation for its own use or for sale must be capitalized. In addition, a corporation must also capitalize any interest on debt allocable to an asset used to produce the above property. See section 263A and Notice 88-99 for definitions and more information.

See section 7872 for special rules regarding the deductibility of foregone interest on certain below-market rate loans.

Line 19

Contributions

Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c) and any unused contributions carried over from prior years.

The total amount claimed may not be more than 10% of taxable income (line 30, Form 1120, or line 26, Form 1120-A) computed without regard to the following:

1. Any deduction for contributions;
2. The special deductions on line 29b, Form 1120, or line 25b, Form 1120-A;
3. Deductions allowed under sections 249 and 250;
4. Any net operating loss carryback to the tax year under section 172; and
5. Any capital loss carryback to the tax year under section 1212(a)(1).

Charitable contributions over the 10% limitation may not be deducted for the tax year but may be carried over to the next 5 tax years.

Taxable income is modified in order to determine the amount of a net operating loss used in an intervening year (i.e., a year to which a net operating loss is carried but not fully absorbed). For this purpose, taxable income is computed by determining the net operating loss deduction for the year without regard to the net operating loss for the loss year or any later year. See section 172(b)(2). To the extent charitable contributions are used to reduce taxable income for this purpose and increase a net operating loss carryover, a contributions carryover is not allowed. See section 170(d)(2)(B).

Corporations on the accrual basis may elect to deduct contributions paid by the 15th day of the 3rd month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

If a contribution is in property other than money and the total claimed deduction of all property contributed exceeds $500, corporations (except closely held and personal service corporations) shall attach a schedule describing the kind of property contributed and the method used in determining its fair market value. Closely held corporations and personal service corporations must complete **Form 8283**, Noncash Charitable Contributions, and attach it to their returns. All other corporations generally must complete and attach Form 8283 to their returns for contributions of property other than money after June 6, 1988, if the total claimed deduction for all property contributed was more than $5,000.

Also, a corporation must keep records, as required by the regulations for section 170, for all of its charitable contributions.

If the corporation made a "qualified conservation contribution" under section 170(h), also include the fair market value of the underlying property before and after the donation, as well as the type of legal interest contributed, and describe the conservation purpose furthered by the donation.

If a contribution carryover is included, show the amount and how it was determined.

Special rule for contributions of certain property. For a charitable contribution of property, the corporation must reduce the contribution by the sum of:

1. The ordinary income, short-term capital gain that would have resulted if the property were sold at its fair market value; and

2. All of the long-term capital gain that would have resulted if the property were sold at its fair market value.

The reduction for the long-term capital gain applies to:

1. Contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption; and

2. Contributions of any property (except stock for which market quotations are readily available—see section 170(e)(5)) to or for the use of certain private foundations. See section 170(e) and Regulations section 1.170A-4.

For special rules for contributions of inventory and other property to certain organizations, see section 170(e)(3) and Regulations section 1.170A-4A.

Charitable contributions of scientific property used for research. A corporation (other than a personal holding company or a service organization) can receive a larger deduction for contributing scientific property used for research to an institution of higher education. For further information, see section 170(e).

Line 20

Depreciation

Besides depreciation, include on line 20 the part of the cost (up to $10,000) that the corporation elected to expense for certain recovery property placed in service during tax year 1988. See the instructions for **Form 4562**, Depreciation and Amortization.

Line 22, Form 1120 only

Depletion

See sections 613 and 613A for percentage depletion rates applicable to natural deposits. Also, see section 291 for the limitation on the depletion deduction for iron ore and coal (including lignite).

Foreign intangible drilling costs and foreign exploration and development costs must either be added to the corporation's basis for cost depletion purposes or be deducted ratably over a 10-year period. See sections 263(i), 616, and 617 for more information.

Attach **Form T (Timber)**, Forest Industries Schedules, if a deduction for depletion of timber is taken.

Line 24, Form 1120 only

Pension, profit-sharing, etc., plans

Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan, whether or not qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms described below. There are penalties for failure to file these forms on time and for overstating the pension plan deduction. See sections 6652(e) and 6659A.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C or 5500-R.—Complete the applicable form for each plan with fewer than 100 participants.

Form 5500EZ.—Complete this form for a one-participant plan.

Line 25, Form 1120 only

Employee benefit programs

Enter the amount of contributions to employee benefit programs not claimed elsewhere on the return (for example, insurance, health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included on line 24.

Line 26, Form 1120, and Line 22, Form 1120-A

Other deductions

Include on this line the deduction taken for amortization of pollution control facilities, organization expenses, etc. See Form 4562.

A corporation may deduct dividends it pays in cash on stock held by an employee stock ownership plan. However, a deduction may only be taken if, according to the plan, the dividends are:

1. Paid in cash directly to the plan participants; or

2. Paid to the plan, which distributes them in cash to the plan participants no later than 90 days after the end of the plan year in which the dividends are paid. See section 404(k). For other deductions which may be allowed, see section 404(k)(2)(C).

Generally, a deduction may not be taken for the amount of any item or part thereof allocable to a class of exempt income. See section 265(b) for exceptions.

Generally, the corporation can deduct only 80% of the amount otherwise allowable for meals and entertainment expenses paid or incurred in its trade or business. In addition, meals must not be lavish or extravagant; a bona fide business discussion must occur during, immediately before, or immediately after the meal; and your employee must be present at the meal. See section 274(k)(2) for exceptions. If the corporation claims a deduction for unallowable meal expenses, it may have to pay a penalty.

Additional limitations apply to deductions for gifts, skybox rentals, luxury water travel, convention expenses, and entertainment tickets. See section 274 and **Publication 463**, Travel, Entertainment, and Gift Expenses, for details.

Generally, a corporation can deduct all other ordinary and necessary travel and entertainment expenses paid or incurred in its trade or business. However, it cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (**Note:** *The corporation may be able to deduct the expense if the amount is treated as compensation and reported on Form W-2 for an employee or on Form 1099-MISC for an independent contractor.*)

Note: *Do not deduct penalties imposed on corporations such as those included in General Instruction D.*

Form 1120-A filers.—These filers should also include on line 22 of Form 1120-A the expenses described above for lines 22, 24, and 25 of Form 1120 and any other deductible expense not discussed above.

Line 28, Form 1120, and Line 24, Form 1120-A

Taxable income before NOL deduction and special deductions

"At risk" rules.—Special "at risk" rules under section 465 generally apply to closely held corporations (defined on page 7) engaged in any activity as a trade or business, or for the production of income. Such corporations may have to adjust the amount on line 28, Form 1120, or line 24, Form 1120-A. (See below.) However, the at risk rules do not apply to: **(1)** holding real property (other than mineral property) placed in service by the taxpayer before 1987; **(2)** equipment leasing under sections 465(c)(4), (5), and (6); and **(3)** any qualifying business of a qualified corporation under section 465(c)(7).

If the at risk rules apply, adjust the amount on this line for section 465(d) losses. These losses are limited to the amount for which such corporation is at risk for each separate activity at the close of the tax year. If the corporation is involved in one or more activities, one or more of which incurs a loss for the year, report the losses for each activity separately. Attach **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), showing the amount at risk and gross income and deductions for the activities with the losses.

If the corporation sells or otherwise disposes of an asset or its interest (either total or partial) in an activity to which the at risk rules apply, determine the net profit or loss from the activity by combining the gain or loss on the sale or disposition with the profit or loss from the activity. If the corporation has a net loss, it may be limited because of the at risk rules.

Treat any loss from an activity not allowed for the tax year as a deduction allocable to the activity in the next tax year.

Line 29a, Form 1120, and Line 25a, Form 1120-A

Net operating loss deduction

The "net operating loss deduction" is the amount of the net operating loss carryovers and carrybacks that can be deducted in the tax year. See section 172(a). If this deduction is taken, explain its computation on an attached schedule.

Generally, a corporation may carry a net operating loss back to each of the 3 years preceding the year of the loss and carry it over to each of the 15 years following the year of the loss. A corporation may carry

back 10 years the part of the net operating loss attributable to a product liability loss. See section 172(b)(1)(I). See Regulations section 1.172-13(c) for the required statement that must be attached to Form 1120 when claiming the 10-year carryback on product liability losses.

There is also an available election to carry a net operating loss over to just each of the 15 years following the year of the loss. The election may be made by attaching a statement to a return that is filed on time (including extensions). The election is irrevocable. Section 172(b)(1) describes types of losses for which the 15-year carryforward period does not apply.

After applying the net operating loss to the first tax year to which it may be carried, the portion of the loss the corporation may carry to each of the remaining tax years is the excess, if any, of the loss over the sum of the modified taxable income for each of the prior tax years to which the corporation may carry the loss. See section 172(b).

If there is a carryback of a net operating loss, net capital loss, or an unused credit, file **Form 1139**, Corporation Application for Tentative Refund, within 12 months after the close of the tax year for a "quick refund" of taxes. See section 6411.

See section 172 for special rules, limitations, and definitions pertaining to net operating loss carrybacks and carryovers. Also see **Publication 536**, Net Operating Losses.

See section 382 for the limitation on the amount of taxable income of a loss corporation for any tax year ending after a post-1986 ownership change that may be offset by pre-change net operating loss carryovers. Also see Temporary Regulations section 1.382-2T(a)(2)(ii), which requires that a loss corporation file an information statement with its income tax return for each tax year that it is a loss corporation.

Line 29b, Form 1120, and Line 25b, Form 1120-A

Special deductions

Form 1120 filers.— See the instructions for Schedule C below.

Form 1120-A filers.—Generally, enter 70% of line 4, page 1, on line 25b. However, this deduction may not be more than 70% of line 24, page 1. For this purpose, compute line 24 without regard to any adjustment under section 1059 and without regard to any capital loss carryback to the tax year under section 1212(a)(1).

In a year in which a net operating loss occurs, this 70% limitation does not apply, even if the loss is created by the dividends-received deduction. See sections 172(d) and 246(b).

Line 32f, Form 1120, and Line 28f, Form 1120-A

Credit for overpaid windfall profit tax

A corporation that has overpaid its windfall profit tax may claim a credit on its income tax return. Use **Form 6249**, Computation of Overpaid Windfall Profit Tax, to figure the credit. Include the amount of the credit in the total for this line. Write in the margin, next to the entry on this line, the amount of the credit and identify it as "OWPT."

Note: *The windfall profit tax does not apply to crude oil removed after August 22, 1988.*

Schedule C Form 1120 Only

Dividends and Special Deductions

For purposes of the 20% ownership test on lines 1 through 7, the percentage of stock owned by the corporation is based on voting power and value of the stock. Preferred stock described in section 1504(a)(4) is not taken into account.

Line 1, Column (a)

Enter dividends (except those received on debt-financed stock acquired after July 18, 1984—see section 246A) that are received from less-than-20%-owned domestic corporations subject to income tax and that are subject to the 70% deduction under section 243(a)(1). Include on this line taxable distributions from an IC-DISC or former DISC that are designated as being eligible for the 70% deduction and certain dividends of Federal Home Loan Banks. See section 246(a)(2).

For dividends received from a regulated investment company, see section 854 for the amount subject to the 70% deduction.

So-called dividends or earnings received from mutual savings banks, etc., are really interest. Do not treat them as dividends.

Line 2, Column (a)

Enter dividends (except those received on debt-financed stock acquired after July 18, 1984) that are received from 20%-or-more-owned domestic corporations subject to income tax and that are subject to the 80% deduction under section 243(c). Include on this line taxable distributions from an IC-DISC or former DISC that are designated as being eligible for the 80% deduction.

Line 3, Column (a)

Enter dividends on debt-financed stock acquired after July 18, 1984, that are received from domestic and foreign corporations subject to income tax and that would otherwise be subject to the dividends-received deduction under sections 243(a)(1), 243(c), or 245(a). Generally, debt-financed stock is stock that the corporation acquired by incurring a debt (for example, it borrowed money to buy the stock).

Line 3, Columns (b) and (c)

Dividends received on debt-financed stock acquired after July 18, 1984, are not entitled to the full 70% or 80% dividends-received deduction. The 70% or 80% deduction is reduced by a percentage that is related to the amount of debt incurred to acquire the stock. See section 246A. Also see section 245(a) before making this computation for an additional limitation that applies to dividends received from foreign corporations. A schedule showing how the amount on line 3, column (c), was figured must be attached to Form 1120.

Line 4, Column (a)

Enter dividends received on the preferred stock of a less-than-20%-owned public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

Line 5, Column (a)

Enter dividends received on preferred stock of a 20%-or-more-owned public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

Line 6, Column (a)

Enter the U.S.-source portion of dividends that are received from less-than-20%-owned foreign corporations and that qualify for the 70% deduction under section 245(a). To qualify for the 70% deduction, the corporation must own at least 10% of the stock of the foreign corporation by vote and value. Also include on line 6, column (a), dividends received from a less-than-20%-owned FSC that are attributable to income treated as effectively connected with the conduct of a trade or business within the U.S. (excluding foreign trade income) and that qualify for the 70% deduction provided in section 245(c)(1)(B).

Line 7, Column (a)

Enter the U.S.-source portion of dividends that are received from 20%-or-more-owned foreign corporations and that qualify for the 80% deduction under section 245(a). Also include on line 7, column (a), dividends received from a 20%-or-more-owned FSC that are attributable to income treated as effectively connected with the conduct of a trade or business within the U.S. (excluding foreign trade income) and that qualify for the 80% deduction provided in section 245(c)(1)(B).

Line 8, Column (a)

Enter dividends that are received from wholly owned foreign subsidiaries and that are eligible for the 100% deduction provided in section 245(b).

In general, the deduction under section 245(b) applies to dividends paid out of the earnings and profits of a foreign corporation for a tax year during which:

1. All of its outstanding stock is owned (directly or indirectly) by the domestic corporation receiving the dividends, and
2. All of its gross income from all sources is effectively connected with the conduct of a trade or business within the U.S.

Line 9, Column (c)

Limitation on dividends-received deduction.

Generally, line 9 of column (c) may not exceed the amount from the worksheet below. However, in a year in which a net operating loss occurs, this limitation does not apply even if the loss is created by the dividends-received deduction. See sections 172(d) and 246(b). Certain financial institutions to which section 593(a) applies should see section 596 for the special limitation on the dividends-received deduction.

1. Refigure line 28, page 1, Form 1120, without regard to any adjustment under section 1059 and without regard to any capital loss carryback to the tax year under section 1212(a)(1)	
2. Complete lines 10, 11, and 12 of column (c) and enter the sum of those lines	

3. Subtract line 2 from line 1 . . . . .
4. Multiply the amount on line 3 by 80% . . . . .
5. Enter the sum of the amounts on lines 2, 5, 7, and 8 of column (c) and the portion of the deduction on line 3 of column (c) that is attributable to dividends received from 20%-or-more-owned corporations . . . . .
6. Enter the lesser of line 4 or line 5. (Do not complete the rest of this worksheet if line 5 is greater than line 4. Instead, enter the amount from line 6 on line 9 of column (c).) . . . . .
7. Enter the total amount of dividends received from 20%-or-more-owned corporations and included on lines 2, 3, 5, 7, and 8 of column (a) . . . . .
8. Subtract line 7 from line 3 . . . . .
9. Multiply the amount on line 8 by 70% . . . . .
10. Subtract line 5 above from line 9 of column (c) . . . . .
11. Enter the lesser of line 9 or line 10 . . . . .
12. Dividends-received deduction after limitation (sec. 246(b)). Add the amounts on lines 6 and 11 and enter on line 9 of column (c) . . . . .

Line 10, Columns (a) and (c)

Small business investment companies operating under the Small Business Investment Act of 1958 (15 U.S.C. 661 and following) must enter dividends that are received from domestic corporations subject to income tax even though a deduction is allowed for the entire amount of such dividends. To claim the 100% deduction on line 10, column (c), the company must file with its return a statement that it was a Federal licensee under the Small Business Investment Act of 1958 at the time of receipt of the dividends.

Line 11, Column (a)

Enter dividends from FSCs that are attributable to foreign trade income and that are eligible for the 100% deduction provided in section 245(c)(1)(A).

Line 12, Columns (a) and (c)

Enter only those dividends that are subject to the elective provisions of section 243(b) and that are entitled to the 100% dividends-received deduction under section 243(a)(3). Corporations making this election are subject to the provisions of section 1561.

Line 13, Column (a)

Enter foreign dividends not reportable on lines 3, 6, 7, 8, or 11 of column (a). Exclude distributions of amounts constructively taxed in the current year or in prior years under subpart F (sections 951 through 964).

Line 14, Column (a)

Include income constructively received from controlled foreign corporations under subpart F. This amount should equal the total of amounts reported on Schedule J, Form(s) 5471.

Line 15, Column (a)

Include gross-up for taxes deemed paid under sections 902 and 960.

Line 16, Column (a)

Enter taxable distributions from an IC-DISC or former DISC that are designated as not being eligible for a dividends-received deduction.

No deduction is allowed under section 243 for a dividend from an IC-DISC or former DISC (as defined in section 992(a)) to the extent the dividend:

1. Is paid out of the corporation's accumulated IC-DISC income or previously taxed income, or

2. Is a deemed distribution under section 995(b)(1).

Line 17, Column (a)

Include the following:

1. Dividends (other than capital gain dividends and exempt-interest dividends) that are received from regulated investment companies and that are not subject to the 70% deduction.

2. Dividends from tax-exempt organizations.

3. Dividends (other than capital gain dividends) received from a real estate investment trust which, for the tax year of the trust in which the dividends are paid, qualify under sections 856 through 860.

4. Dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments with respect to similar stock.

Two situations in which the dividends-received deduction will not be allowed on any share of stock are:

(1) If the corporation held it 45 days or less (see section 246(c)(1)(A)), or

(2) To the extent the corporation is under an obligation to make related payments for substantially similar or related property.

5. Any other taxable dividend income not properly reported above (including distributions under section 936(h)(4)). If patronage dividends or per-unit retain allocations are included in Schedule C, line 17, column (a), identify the total of these amounts in a schedule attached to Form 1120.

Line 18, Column (c)

Deduction for dividends paid on certain preferred stock of public utilities. Section 247 allows public utilities a deduction of 41.176% of the lesser of:

1. Dividends paid on their preferred stock during the tax year, or

2. Taxable income computed without regard to this deduction.

In a year in which a net operating loss occurs, compute the deduction without regard to section 247(a)(1)(B). See section 172(d).

Tax Computation
Line 1, Part I, Form 1120-A
Line 3, Schedule J, Form 1120

A corporation that files Form 1120 or 1120-A must compute its tax on its taxable income as follows:

(1) Corporations other than qualified personal service corporations (defined below) (Members of a controlled group should see the instructions below for lines 1 and 2 under heading B.):

If its taxable income (line 30, Form 1120, or line 26, Form 1120-A) on page 1 is:

Over—	But not over—	its tax is:	Of the amount over—
0	$50,000	**15%**	0
$50,000	75,000	**$7,500 + 25%**	$50,000
75,000	------	**13,750 + 34%**	75,000

Additional tax. If a corporation's taxable income exceeds $100,000, the total tax imposed under section 11 (see the table above) is increased by the **lesser** of 5% of the excess over $100,000 **or** $11,750.

(2) Qualified personal service corporations:

A qualified personal service corporation is taxed at a flat rate of 34% on its taxable income. For this purpose, a qualified personal service corporation is any corporation: **(a)** substantially all of the activities of which involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, and **(b)** at least 95% of the stock of which is owned by employees performing the services, retired employees who had performed the services listed above, any estate of an employee or retiree described above, or any person who acquired the stock of the corporation as a result of the death of an employee or retiree described above, if the acquisition occurred within 2 years of death. See Temporary Regulations section 1.448-1T(e) for details.

A. Form 1120-A, Part I, Page 2
Line 2a

General business credit. This credit is made up of the sum of the following credits:

Investment credit. The investment credit was generally repealed for property placed in service after 1985. See **Form 3468,** Computation of Investment Credit, for exceptions.

Jobs credit. The jobs credit, if elected, is allowed for hiring members of targeted groups during the tax year. See **Form 5884,** Jobs Credit, for definitions, special rules, and limitations.

Do not take an expense deduction for the part of the wages or salaries paid or incurred that is equal to the amount of the jobs credit (determined without regard to the limitation based on the tax (section 38(c))).

Alcohol fuel credit. A corporation may be able to take a credit for alcohol used as fuel. Use **Form 6478,** Credit for Alcohol Used As Fuel, to figure the credit.

Credit for increasing research activities. See **Form 6765,** Credit for Increasing Research Activities, and section 41.

Low-income housing credit. See **Form 8586,** Low-Income Housing Credit, and section 42.

Form 3800, *General Business Credit.* Enter on the appropriate line of the corporate tax return the amount of the credit from Form 3800, and check the boxes indicating which forms are attached to the return. If the corporation is claiming only one of the

above credits, you do not have to complete Form 3800. Instead, check the appropriate box and attach the form for which the credit is being taken. However, if the corporation has a carryforward or carryback of any of these credits (or a carryforward of an ESOP credit), it must use Form 3800. For more information, see **Publication 572**, General Business Credit.

Line 2b

Credit for prior year minimum tax. If the corporation had an alternative minimum tax liability in a prior tax year beginning after 1986 but has no current year alternative minimum tax, it may be able to take the credit for prior year minimum tax. See **Form 8801**, Credit for Prior Year Minimum Tax, and section 53.

Line 5

Recapture Taxes

Recapture of investment credit. If property is disposed of or ceases to be qualified property before the end of the life-years used in computing the regular or energy investment credit, there may be a recapture of the credit. See **Form 4255**, Recapture of Investment Credit.

Recapture of low-income housing credit. If you must recapture part of the low-income housing credit because there has been a decrease in the qualified basis of a building from the prior year or if you disposed of the building or an ownership interest in it, see **Form 8611**, Recapture of Low-Income Housing Credit, and section 42(j). If you attached **Form 8693**, Low-Income Housing Credit Disposition Bond, write on the dotted line to the left of line 8, Schedule J, "Form 8693 attached."

Line 6

Alternative minimum tax. Attach **Form 4626**, Alternative Minimum Tax—Corporations, if your taxable income (or loss) before the net operating loss deduction when combined with your adjustments and tax preference items (including the book income adjustment) totals more than $40,000 (or more than your allowable exemption amount, if less). See Form 4626 for details.

B. Form 1120, Schedule J

Lines 1 and 2

Members of a controlled group, as defined in section 1563, are entitled to one $50,000 and one $25,000 taxable income bracket amount (in that order) on line 2a.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the amount in each taxable income bracket apportioned to that member. There are other requirements as well. See Regulations section 1.1561-3(b) for the requirements and for the time and manner of making the consent.

Equal Apportionment Plan. If no apportionment plan is adopted, the members of the controlled group must divide the amount in each taxable income bracket equally among themselves. For example, controlled group AB consists of corporation A and corporation B. They do not elect an apportionment plan. Therefore, both corporation A and corporation B are entitled to $25,000 (one-half of $50,000) in the $50,000 taxable income bracket on line 2a(i) and to $12,500 (one-half of $25,000) in the $25,000 taxable income bracket on line 2a(ii).

Unequal Apportionment Plan. Members of a controlled group may elect an unequal apportionment plan and divide the taxable income brackets as they wish. There is no need for consistency between taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the taxable income bracket. However, the total amount for all members of the controlled group cannot be more than the total amount in each taxable income bracket.

Each member of a controlled group must compute the tax as follows (except qualified personal service corporations):

1. Enter taxable income (line 30, page 1, Form 1120) . . . . . _____
2. Enter line 1 or the corporation's share of the $50,000 taxable income bracket, whichever is less . . . . . _____
3. Subtract line 2 from line 1 . . . . . _____
4. Enter line 3 or the corporation's share of the $25,000 taxable income bracket, whichever is less . . . . . _____
5. Subtract line 4 from line 3 . . . . . _____
6. Enter 15% of line 2 . . . . . _____
7. Enter 25% of line 4 . . . . . _____
8. Enter 34% of line 5 . . . . . _____
9. If the taxable income of the controlled group exceeds $100,000, enter this member's share of the **lesser** of:
   (a) 5% of the excess over $100,000, **or**
   (b) $11,750.
   (See instructions for additional 5% tax below.) . . . . . _____
10. Total of lines 6 through 9. Enter this amount on line 3, Schedule J, Form 1120 . . . . . _____

Additional 5% tax. Members of a controlled group are treated as one corporation for purposes of figuring the applicability of the additional 5% tax that must be paid by corporations with taxable income in excess of $100,000. If the additional tax applies, each member of the controlled group will pay that tax based on the part of the amount that is used in each taxable income bracket to reduce that member's tax. See section 1561(a). Each member of the group must enter its share of the additional 5% tax on line 2b and attach to its tax return a schedule that shows the taxable income of the entire group as well as how its share of the additional tax was figured.

Line 3

Bank holding companies. Section 6158 provides that a bank holding company may elect to pay in installments the tax attributable to the sale of certain assets whose divestiture is certified by the Board of Governors of the Federal Reserve System. If the bank holding company chooses this election, attach a statement showing the tax computation and the amount of the installment paid with this return. Also, in the right-hand margin next to line 3, Schedule J, enter the amount of the installment payment followed by the words "computed under section 6158." If an election under section 1103(g) or (h) applies, enter the words "section 1103(g) election" or "section 1103(h) election," as the case may be.

Mutual savings bank conducting life insurance business. The tax under section 594 consists of the sum of: **(1)** a partial tax computed on Form 1120 on the taxable income of the bank determined without regard to income or deductions allocable to the life insurance department, and **(2)** a partial tax on the taxable income computed on Form 1120L of the life insurance department. Enter the combined tax on line 3 of Schedule J, Form 1120. Attach Form 1120L as a schedule and identify it as such.

Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots. If the corporation elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under section 453(l)(3), it must include the interest due in the amount to be entered on line 3, Schedule J, Form 1120. Write on the dotted line to the left of line 3, Schedule J, "Sec. 453(l)(3) interest - $(amount)." Attach a schedule showing the computation.

Interest on tax deferred under the installment method for certain nondealer installment obligations. If an obligation arising from the disposition of property to which section 453A applies is outstanding at the close of the year, the corporation must include the interest due under section 453A(c) in the amount to be entered on line 3, Schedule J, Form 1120. Write on the dotted line to the left of line 3, Schedule J, "Sec. 453A(c) interest - $(amount)." Attach a schedule showing the computation.

Deferred tax amount under section 1291. If the corporation was a shareholder in a passive foreign investment company (PFIC) that received an excess distribution or disposed of its investment in the PFIC during the year, it must include the deferred tax amount due under section 1291(c) in the amount to be entered on line 3, Schedule J, Form 1120. Write on the dotted line to the left of line 3, Schedule J, "Sec. 1291 tax - $(amount)." Attach **Form 8621**, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.

Line 4a

Foreign tax credit. See **Form 1118**, Computation of Foreign Tax Credit—Corporations, for an explanation of when a corporation can take this credit for payment of income tax to a foreign country.

Line 4b

Possessions tax credit. See **Form 5712**, Election To be Treated as a Possessions Corporation Under Section 936, for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on **Form 5735**, Computation of Possessions Corporation Tax Credit Allowed Under Section 936.

Line 4c

Orphan drug credit. See section 28 and **Form 6765**, Credit for Increasing Research Activities (or for claiming the orphan drug credit), for an explanation of when a corporation can take this credit, as well as how it is figured.

Line 4d

Credit for fuel produced from a nonconventional source. A credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 29 contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit.

Line 4e

General business credit. See the earlier instructions for Form 1120-A, line 2a, under **Tax Computation**.

Line 4f

Credit for prior year minimum tax. See the earlier instructions for Form 1120-A, line 2b, under **Tax Computation**.

Line 7

Personal holding company tax. A corporation is taxed as a personal holding company under section 542 if:

- At least 60% of its adjusted ordinary gross income, defined in section 543(b)(2), for the tax year is personal holding company income as defined in section 543(a), and
- At any time during the last half of the tax year more than 50% in value of its outstanding stock is owned, directly or indirectly, by not more than 5 individuals.

Use **Schedule PH (Form 1120)**, Computation of U.S. Personal Holding Company Tax, to figure this tax.

Line 8

Recapture taxes. See the earlier instructions for Form 1120-A, line 5, under **Tax Computation**.

Line 9a

Alternative minimum tax. See the earlier instructions for Form 1120-A, line 6, under **Tax Computation**.

Line 9b

Environmental tax. The corporation may be liable for the environmental tax if the modified alternative minimum taxable income of the corporation exceeds $2,000,000. See Form 4626 for details.

Line 10

Dealers in personal property. If the corporation deferred the payment of certain tax for its first or second tax year ending after 1986 under the transition rule of 1986 Act section 811(c)(7), it must include the ratable portion of the tax due for the current tax year on line 10, Schedule J, Form 1120. Write on the dotted line to the left of line 10, Schedule J, "Sec. 453C tax -$(amount)." Attach a schedule showing the computation.

Deferred tax and interest on undistributed earnings of a qualified electing fund under section 1294. Follow the instructions for Form 8621 to determine the amount of tax owed or deferred to include in or subtract from the total tax on line 10, Schedule J, Form 1120. Write on the dotted line to the left of line 10, Schedule J, "Sec. 1294" and the amount of tax to be added to or subtracted from the total for line 10. (Show in brackets an amount to be subtracted.) Do not include on line 10 the interest charge due on the deferred tax. Instead, write "Sec. 1294 interest" and the amount owed in the bottom margin of page 1, Form 1120.

Installment payment of tax attributable to LIFO recapture by corporations making an S corporation election. A corporation making an S corporation election after December 17, 1987, (except as provided in 1987 Act section 10227(b)(2)) and that uses the LIFO inventory pricing method for its last tax year as a C corporation must include a "LIFO recapture amount" in income for its last year as a C corporation. The corporation's LIFO recapture amount is equal to the excess of the inventory amount using the FIFO method over the inventory amount using the LIFO method at the close of the corporation's last tax year as a C corporation.

The additional tax resulting from inclusion of the LIFO recapture amount in income is payable in 4 equal installments. The first installment is due with the return for the electing corporation's last tax year as a C corporation and must be paid by the due date (excluding extensions of time to file).

To determine the additional tax due to LIFO recapture, the corporation must complete lines 1 through 9b of Schedule J based on income that includes the LIFO recapture amount. On a separate worksheet, using the Schedule J format, the corporation must then complete the entire worksheet (lines 1 though 10) based on taxable income not including the LIFO recapture amount. The total of lines 1 through 9b must then be compared to line 10 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since the total of lines 1 through 9b of Schedule J will include all the additional tax due to LIFO recapture, the amount that may be deferred (¾ of the additional tax) must first be subtracted to arrive at line 10 total tax. Write this deferral amount in brackets on the dotted line to the left of line 10, Schedule J, as "Sec. 1363(d) deferral -$(amount)." Attach a schedule showing the computation.

Note: *The remaining 3 installments of deferred tax must be paid by the due date of Form 1120S for the next 3 tax years. No interest is payable on the deferred tax if paid on time.*

Schedule M-1 (Form 1120 Only)

Reconciliation of Income per Books With Income per Return

Line 5c

Travel and entertainment. Include on this line: 20% of meals and entertainment not allowed under section 274(n); expenses for the use of an entertainment facility; the part of business gifts in excess of $25; expenses of an individual allocable to conventions on cruise ships in excess of $2,000; employee achievement awards in excess of $400; the cost of entertainment tickets in excess of face value (also subject to 20% disallowance); ⅔ of the cost of skyboxes in excess of the face value of non-luxury box seat tickets; the part of the cost of luxury water travel not allowed under section 274(m); expenses for travel as a form of education; and other travel and entertainment expenses not allowed as a deduction.

Schedule M-2 (Form 1120 Only)

Unappropriated Retained Earnings

Line 5

Distributions under the Bank Holding Company Act. If an election under section 1103(g) or (h) applies to a section 1101 distribution, the bank holding company making the distribution must enter the words "section 1103(g) election" or "section 1103(h) election," as the case may be, in the right-hand margin next to line 5, Schedule M-2, Form 1120.

Codes for Principal Business Activity

These codes for the Principal Business Activity are designed to classify enterprises by the type of activity in which they are engaged to facilitate the administration of the Internal Revenue Code. Though similar in format and structure to the Standard Industrial Classification Codes (SIC), they should not be used as SIC codes.

Using the list below, enter on page 3, under H(1), Form 1120, or on page 2, under G(1), Form 1120-A, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1a, page 1) plus all other income (lines 4 through 10, page 1).

On page 3, under H(2) and H(3), Form 1120, or on page 2, under G(2) and G(3), Form 1120-A, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

If, as its principal business activity, the corporation (1) purchases raw materials, (2) subcontracts out for labor to make a finished product from the raw materials, and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing."

Agriculture, Forestry, and Fishing

Code

0400 Agricultural production
0900 Agricultural services (except veterinarians); forestry; fishing; hunting; and trapping

Mining

Metal mining
1010 Iron ores
1070 Copper, lead and zinc, gold and silver ores
1098 Other metal mining
1150 Coal mining
Oil and gas extraction
1330 Crude petroleum, natural gas, and natural gas liquids
1380 Oil and gas field services
Nonmetallic minerals, except fuels
1430 Dimension, crushed and broken stone, sand and gravel
1498 Other nonmetallic minerals, except fuels

Construction

General building contractors and operative builders
1510 General building contractors
1531 Operative builders
1600 Heavy construction contractors
Special trade contractors
1711 Plumbing, heating, and air conditioning
1731 Electrical work
1799 Other special trade contractors

Manufacturing

Food and kindred products
2010 Meat products
2020 Dairy products
2030 Preserved fruits and vegetables
2040 Grain mill products
2050 Bakery products
2060 Sugar and confectionery products
2081 Malt liquors and malt
2082 Alcoholic beverages, except malt liquors and malt
2085 Bottled soft drinks, and flavorings
2096 Other food and kindred products
2100 Tobacco manufacturers
Textile mill products
2228 Weaving mills and textile finishing
2250 Knitting mills
2298 Other textile mill products
Apparel and other textile products
2315 Men's and boys' clothing
2345 Women's and children's clothing
2388 Other apparel and accessories
2390 Miscellaneous fabricated textile products
Lumber and wood products
2415 Logging, sawmills, and planing mills
2430 Millwork, plywood, and related products
2498 Other wood products, including wood buildings and mobile homes
2500 Furniture and fixtures

Code

Paper and allied products
2625 Pulp, paper, and board mills
2699 Other paper products
Printing and publishing
2710 Newspapers
2720 Periodicals
2735 Books, greeting cards, and miscellaneous publishing
2799 Commercial and other printing, and printing trade services
Chemicals and allied products
2815 Industrial chemicals, plastics materials, and synthetics
2830 Drugs
2840 Soap, cleaners, and toilet goods
2850 Paints and allied products
2898 Agricultural and other chemical products
Petroleum refining and related industries (including those integrated with extraction)
2910 Petroleum refining (including integrated)
2998 Other petroleum and coal products
Rubber and misc. plastics products
3050 Rubber products, plastics footwear, hose and belting
3070 Misc. plastics products
Leather and leather products
3140 Footwear, except rubber
3198 Other leather and leather products
Stone, clay, and glass products
3225 Glass products
3240 Cement, hydraulic
3270 Concrete, gypsum, and plaster products
3298 Other nonmetallic mineral products
Primary metal industries
3370 Ferrous metal industries, misc primary metal products
3380 Nonferrous metal industries
Fabricated metal products
3410 Metal cans and shipping containers
3429 Cutlery, hand tools, and hard ware; screw machine products, bolts, and similar products
3430 Plumbing and heating, except electric and warm air
3440 Fabricated structural metal products
3460 Metal forgings and stampings
3470 Coating, engraving, and allied services
3480 Ordnance and accessories, except vehicles and guided missiles
3490 Misc. fabricated metal products
Machinery, except electrical
3520 Farm machinery
3530 Construction and related machinery
3540 Metalworking machinery
3550 Special industry machinery
3560 General industrial machinery
3570 Office, computing, and accounting machines
3598 Other machinery except electrical

Code

Electrical and electronic equipment
3630 Household appliances
3665 Radio, television, and communication equipment
3670 Electronic components and accessories
3698 Other electrical equipment
3710 Motor vehicles and equipment
Transportation equipment, except motor vehicles
3725 Aircraft, guided missiles and parts
3730 Ship and boat building and repairing
3798 Other transportation equipment, except motor vehicles
Instruments and related products
3815 Scientific instruments and measuring devices, watches and clocks
3845 Optical, medical, and ophthalmic goods
3860 Photographic equipment and supplies
3998 Other manufacturing products

Transportation and Public Utilities

Transportation
4000 Railroad transportation
4100 Local and interurban passenger transit
4200 Trucking and warehousing
4400 Water transportation
4500 Transportation by air
4600 Pipe lines, except natural gas
4700 Miscellaneous transportation services
Communication
4825 Telephone, telegraph, and other communication services
4830 Radio and television broadcasting
Electric, gas, and sanitary services
4910 Electric services
4920 Gas production and distribution
4930 Combination utility services
4990 Water supply and other sanitary services

Wholesale Trade

Durable
5008 Machinery, equipment, and supplies
5010 Motor vehicles and automotive equipment
5020 Furniture and home furnishings
5030 Lumber and construction materials
5040 Sporting, recreational, photographic, and hobby goods, toys and supplies
5050 Metals and minerals, except petroleum and scrap
5060 Electrical goods
5070 Hardware, plumbing and heating equipment and supplies
5098 Other durable goods
Nondurable
5110 Paper and paper products
5129 Drugs, drug proprietaries, and druggists' sundries
5130 Apparel, piece goods, and notions
5140 Groceries and related products
5150 Farm product raw materials
5160 Chemicals and allied products
5170 Petroleum and petroleum products
5180 Alcoholic beverages
5190 Misc. nondurable goods

Retail Trade

Building materials, garden supplies, and mobile home dealers
5220 Building materials dealers
5251 Hardware stores
5265 Garden supplies and mobile home dealers
5300 General merchandise stores
Food stores
5410 Grocery stores
5490 Other food stores
Automotive dealers and service stations
5515 Motor vehicle dealers
5541 Gasoline service stations
5598 Other automotive dealers
5600 Apparel and accessory stores
5700 Furniture and home furnishings stores
5800 Eating and drinking places

Code

Misc. retail stores
5912 Drug stores and proprietary stores
5921 Liquor stores
5995 Other retail stores

Finance, Insurance, and Real Estate

Banking
6030 Mutual savings banks
6060 Bank holding companies
6090 Banks, except mutual savings banks and bank holding companies
Credit agencies other than banks
6120 Savings and loan associations
6140 Personal credit institutions
6150 Business credit institutions
6199 Other credit agencies
Security, commodity brokers and services
6210 Security brokers, dealers, and flotation companies
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services
Insurance
6355 Life insurance
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies
6359 Other insurance companies
6411 Insurance agents, brokers, and service
Real estate
6511 Real estate operators and lessors of buildings
6516 Lessors of mining, oil, and similar property
6518 Lessors of railroad property and other real property
6530 Condominium management and cooperative housing associations
6550 Subdividers and developers
6599 Other real estate
Holding and other investment companies, except bank holding companies
6744 Small business investment companies
6749 Other holding and investment companies except bank holding companies

Services

7000 Hotels and other lodging places
7200 Personal services
Business services
7310 Advertising
7389 Business services, except advertising
Auto repair, misc. repair services
7500 Auto repair and services
7600 Misc. repair services
Amusement and recreation services
7812 Motion picture production, distribution, and services
7830 Motion picture theaters
7900 Amusement and recreation services, except motion pictures
Other services
8015 Offices of physicians, including osteopathic physicians
8021 Offices of dentists
8040 Offices of other health practitioners
8050 Nursing and personal care facilities
8060 Hospitals
8071 Medical laboratories
8099 Other medical services
8111 Legal services
8200 Educational services
8300 Social services
8600 Membership organizations
8911 Architectural and engineering services
8930 Accounting, auditing, and bookkeeping
8980 Miscellaneous services (including veterinarians)

SCHEDULE D (Form 1120)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

To be filed with Forms 1120, 1120-A, 1120-DF, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 990-C, and certain Forms 990-T

OMB No. 1545-0123

1988

Name

Employer identification number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less (Six months or less if acquired before 1/1/88)

(a) Kind of property and description (Example: 100 shares of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis, plus expense of sale	(f) Gain (or loss) ((d) less (e))
1					

2	Short-term capital gain from installment sales from Form 6252, line 22 or 30	2	
3	Unused capital loss carryover (attach computation)	3	( )
4	Net short-term capital gain or (loss)	4	

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year (More than six months if acquired before 1/1/88)

5					

6	Enter gain from Form 4797, line 7 or 9	6	
7	Long-term capital gain from installment sales from Form 6252, line 22 or 30	7	
8	Net long-term capital gain or (loss)	8	

Part III Summary of Parts I and II

9	Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10	Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	
11	Total of lines 9 and 10. Enter here and on Form 1120, line 8, page 1; or the proper line on other returns ***Note:*** *If losses exceed gains, see instructions on capital losses for explanation of capital loss carrybacks.*	11	

Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Purpose of Form

This Schedule D should be used by a taxpayer whose tax year begins in 1988 and who files either Forms 1120, 1120-A, 1120-DF, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 990-C, or certain Forms 990-T, to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), gain from the disposition of interest in oil, gas, or geothermal property, and the section 291 adjustment to section 1250 gains should be reported on **Form 4797**, Sales of Business Property. See the instructions for Form 4797 for more information.

If property is involuntarily converted because of a casualty or theft, use **Form 4684**, Casualties and Thefts.

Parts I and II

Generally, a corporation should report sales and exchanges, including "like-kind" exchanges, even though there is no gain or loss. No loss is allowed for a wash sale of stock or securities or from a transaction between related persons (sections 1091 and 267).

In Part I, report the sale or exchange of capital assets held one year or less. In Part II, report the sale or exchange of capital assets held more than one year. For property acquired before January 1, 1988, the holding period is 6 months.

What Are Capital Assets?—Each item of property the corporation held (whether or not connected with its trade or business) is a capital asset except:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights; literary, musical, or artistic compositions; letters or memorandums; or similar property.

4. Accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in 1 above.
5. A U.S. Government publication (including the Congressional Record) received from the Government or any of its agencies in a manner other than by buying it at the price offered for public sale, which is held by a taxpayer who received the publication or by a second taxpayer in whose hands the basis of the publication is determined, for purposes of determining gain from a sale or exchange, by referring to its basis in the hands of the first taxpayer.

Exchange of "like-kind" property.—Report the exchange of "like-kind" property on Schedule D or on Form 4797, whichever applies. The corporation must report it even though no gain or loss is recognized when business or investment property is exchanged for property of "like-kind." (This does not include stock in trade or other property held primarily for sale. It also does not include stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness. Generally, it does not include exchanges of partnership interests. See section 1031.)

If Schedule D is used, identify in column (a) the property disposed of. Enter the date it was acquired in column (b), and the date it was exchanged in column (c). Write "like-kind exchange" in column (d). Enter the cost or other basis in column (e). Enter zero in column (f).

Special Rules for the Treatment of Certain Gains and Losses

Note: *For more information, get* ***Publication 544****, Sales and Other Dispositions of Assets, and* ***Publication 542****, Tax Information on Corporations.*

- **Gains and losses from passive activities.**—A closely held or personal service corporation that has a gain or loss which relates to a passive activity (section 469) may be required to complete **Form 8810,** Corporate Passive Activity Loss and Credit Limitations, before completing Schedule D. See Form 8810 for details.
- **Gain on distributions of appreciated property.**—Generally, gain (but not loss) is recognized on a nonliquidating distribution of appreciated property to the extent that the property's fair market value exceeds its adjusted basis. See section 311 for more information.
- **Gain or loss on distribution of property in complete liquidation.**—Generally, gain or loss is recognized by a corporation upon the liquidating distribution of property as if it had sold the property at its fair market value. An exception to this rule applies for liquidations of certain subsidiaries. See sections 336 and 337 for more information and other exceptions to the general rules. In addition, the special nonrecognition rules governing 12-month liquidations have been repealed. However, section 633(d) of the Tax Reform Act of 1986 provides a transition rule for certain qualified small corporations that completely liquidate before January 1, 1989. These corporations should get **Form 964-A,** Computation of Gain or Loss Recognized by Qualified Corporations on Complete Liquidation, to compute their gain or loss before completing Schedule D.
- **Gains and losses on section 1256 contracts and straddles.**—Use **Form 6781,** Gains and Losses From Section 1256 Contracts and Straddles, to report gains and losses from section 1256 contracts and straddles.
- **Gain or loss on certain short-term Federal, state, and municipal obligations.**—Such obligations are treated as capital assets in determining gain or loss. On any gain realized, a portion is treated as ordinary income and the balance is considered as a short-term capital gain. See section 1271.
- **Gain from installment sales.**—If a corporation has a gain this year from the sale of real property or a casual sale of personal property other than inventory and is to receive any payment in a later year, it must use the installment method (unless it elects not to) and file **Form 6252,** Installment Sale Income. Also use Form 6252 if a payment is received this year from a sale made in an earlier year on the installment basis.

  The corporation may elect out of the installment method by doing the following on a timely filed return (including extensions):
  1. Report the full amount of the sale on Schedule D.
  2. If the corporation received a note or other obligation and is reporting it at less than face value (including all contingent obligations), state that fact in the margin and give the percentage of valuation.

  The installment method may not be used for sales of stock or securities (or certain other property described in the regulations) traded on an established securities market. See section 453(k).
- **Gain or loss on an option to buy or sell property.**—See sections 1032 and 1234 for the rules that apply to a purchaser or grantor of an option.
- **Gain or loss from a short sale of property.**—Report the gain or loss to the extent that the property used to close the short sale is considered a capital asset in the hands of the taxpayer.
- **Gains and losses of foreign corporations from the disposition of investment in United States real property.**—Foreign corporations are required to report gains and losses from the disposition of U.S. real property interests. See section 897 for details.
- **Gains on certain insurance property.**—Form 1120L filers with gains on property held on December 31, 1958, and certain substituted property acquired after 1958 should see section 818(c).
- **Loss from the sale or exchange of capital assets of an insurance company taxable under section 831.**—Under the provisions of section 834(c)(6), the capital losses of a property and casualty insurance company are deductible to the extent that the assets were sold to meet abnormal insurance losses or to provide for the payment of dividend and similar distributions to policyholders.
- **Loss from securities that are capital assets that become worthless during the year.**—Except for securities held by a bank, treat the loss as a capital loss as of the last day of the tax year. (See section 582 for the rules on the treatment of securities held by a bank.)
- **Nonrecognition of gain on sale of stock to an ESOP.**—See section 1042 for rules under which a taxpayer may elect not to recognize gain from the sale of certain stock to an employee stock ownership plan (ESOP).
- **Disposition of market discount bonds.**—See section 1276 for rules on the disposition of any market discount bonds that were issued after July 18, 1984.
- **Capital gain distributions.**—Report capital gain distributions paid by mutual funds as long-term capital gains on line 5 regardless of how long the corporation owned stock in the fund.

How To Determine the Cost or Other Basis of the Property

In determining gain or loss, the basis of property will generally be its cost (section 1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the Code. For example, if the corporation acquired the property by dividend, liquidation of a corporation, transfer from a shareholder, reorganization, contribution or gift, bequest, bankruptcy, tax-free exchange, involuntary conversion, certain asset acquisitions, or wash sale of stock, see sections 301 (or 1059), 334, 362 (or 358), 1014, 1015, 372 (or 374), 1031, 1033, 1060, and 1091, respectively. Attach an explanation if the corporation uses a basis other than actual cash cost of the property.

If the corporation is allowed a charitable contribution deduction because it sold property to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

Capital losses.—The amount of capital losses allowed may not be more than capital gains. A net capital loss may be carried back 3 years and forward 5 years as a short-term capital loss. Carry back a capital loss to the extent it does not increase or produce a net operating loss in the tax year to which it is carried. Foreign expropriation capital losses may not be carried back, but may be carried forward 10 years instead of 5. A net capital loss for a regulated investment company may be carried forward 8 years instead of 5.

At-risk limitations (section 465).—If the corporation sold or exchanged an asset used in an activity to which the at-risk rules apply, combine the gain or loss on the sale or exchange with the profit or loss from the activity. If the result is a net loss from the activity, it may be subject to the at-risk rules.

Form **1120S** Department of the Treasury Internal Revenue Service

U.S. Income Tax Return for an S Corporation

For the calendar year 1988 or tax year beginning ..... 1988, ending ..... 19 ....

► For Paperwork Reduction Act Notice, see page 1 of the instructions.

OMB No. 1545-0130

1988

A Date of election as an S corporation

B Business code no. (see Specific Instructions)

Use IRS label. Otherwise, please print or type.

Name

Number and street (P.O. Box number if mail is not delivered to street address)

City or town, state, and ZIP code

C Employer identification number

D Date incorporated

E Total assets (see Specific Instructions) $ Dollars Cents

F Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change in address (4) ☐ Amended return

G Check this box if this is an S corporation subject to the consolidated audit procedures of sections 6241 through 6245 (see instructions) ► ☐

H Enter number of shareholders in the corporation at end of the tax year ►

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a	Gross receipts or sales	b Less returns and allowances	c Bal ► 1c	
	2	Cost of goods sold and/or operations (Schedule A, line 7)		2	
	3	Gross profit (subtract line 2 from line 1c)		3	
	4	Net gain (or loss) from Form 4797, line 18 (see instructions)		4	
	5	Other income (see instructions—attach schedule)		5	
	6	**Total** income (loss)—Combine lines 3, 4, and 5 and enter here	►	6	
Deductions (See instructions for limitations.)	7	Compensation of officers		7	
	8a	Salaries and wages	b Less jobs credit	c Bal ► 8c	
	9	Repairs		9	
	10	Bad debts (see instructions)		10	
	11	Rents		11	
	12	Taxes		12	
	13	Deductible interest expense not claimed or reported elsewhere on return (see instructions)		13	
	14a	Depreciation from Form 4562 (attach Form 4562)	14a		
	b	Depreciation reported on Schedule A and elsewhere on return	14b		
	c	Subtract line 14b from line 14a		14c	
	15	Depletion (**Do not deduct oil and gas depletion.** See instructions.)		15	
	16	Advertising		16	
	17	Pension, profit-sharing, etc. plans		17	
	18	Employee benefit programs		18	
	19	Other deductions (attach schedule)		19	
	20	**Total** deductions—Add lines 7 through 19 and enter here	►	20	
	21	Ordinary income (loss) from trade or business activity(ies)—Subtract line 20 from line 6		21	
Tax and Payments	22	**Tax:**			
	a	Excess net passive income tax (attach schedule)	22a		
	b	Tax from Schedule D (Form 1120S)	22b		
	c	Add lines 22a and 22b		22c	
	23	**Payments:**			
	a	Tax deposited with Form 7004	23a		
	b	Credit for Federal tax on fuels (attach Form 4136)	23b		
	c	Add lines 23a and 23b		23c	
	24	**Tax due** (subtract line 23c from line 22c). See instructions for Paying the Tax	►	24	
	25	**Overpayment** (subtract line 22c from line 23c)	►	25	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

► Signature of officer Date ► Title

Paid Preparer's Use Only

Preparer's signature ► Date Check if self-employed ► ☐ Preparer's social security number

Firm's name (or yours if self-employed) and address ► E.I. No. ► ZIP code ►

Form **1120S** (1988)

Schedule A **Cost of Goods Sold and/or Operations** (See instructions for Schedule A.)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4a	Additional section 263A costs (attach schedule) (see instructions)	4a	
b	Other costs (attach schedule)	4b	
5	Total—Add lines 1 through 4b	5	
6	Inventory at end of year	6	
7	Cost of goods sold and/or operations—Subtract line 6 from line 5. Enter here and on line 2, page 1	7	

8a Check all methods used for valuing closing inventory:
- (i) ☐ Cost
- (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
- (iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c)
- (iv) ☐ Other (Specify method used and attach explanation) ▶

b Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 8c

d Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the corporation? ☐ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? (If "Yes," attach explanation.) ☐ Yes ☐ No

Additional Information Required

		Yes	No
I	Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (1) name, address, and employer identification number; and (2) percentage owned		
J	Refer to the listing of business activity codes at the end of the instructions for Form 1120S and state your principal: (1) Business activity ▶ ..... (2) Product or service ▶		
K	Were you a member of a controlled group subject to the provisions of section 1561?		
L	At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See instructions for exceptions and filing requirements for form TD F 90-22.1.) If "Yes," enter the name of the foreign country ▶		
M	Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926		
N	During this tax year did you maintain any part of your accounting/tax records on a computerized system?		
O	Check method of accounting: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶		
P	Check this box if the S corporation has filed or is required to file **Form 8264**, Application for Registration of a Tax Shelter ▶ ☐		
Q	Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ ☐ If so, the corporation may have to file **Form 8281**, Information Return for Publicly Offered Original Issue Discount Instruments.		
R	If the corporation: (1) filed its election to be an S corporation after December 31, 1986, (2) was a C corporation prior to making the election, and (3) at the beginning of the tax year has net unrealized built-in gain as defined in section 1374(d)(1), enter the net unrealized built-in gain (see instructions) ▶		

Designation of Tax Matters Person (See instructions.)

The following shareholder is hereby designated as the tax matters person (TMP) for the tax year for which this tax return is filed:

Name of designated TMP ▶ Identifying number of TMP ▶

Address of designated TMP ▶

Schedule K **Shareholders' Shares of Income, Credits, Deductions, Etc.** (See Instructions.)

(a) Distributive share items			(b) Total amount
Income (Loss) and Deductions			
1 Ordinary income (loss) from trade or business activity(ies) (page 1, line 21)		1	
2a Gross income from rental real estate activity(ies)	2a		
b Minus expenses (attach schedule)	2b		
c Balance: net income (loss) from rental real estate activity(ies)		2c	
3a Gross income from other rental activity(ies)	3a		
b Minus expenses (attach schedule)	3b		
c Balance: net income (loss) from other rental activity(ies)		3c	
4 Portfolio income (loss):			
a Interest income		4a	
b Dividend income		4b	
c Royalty income		4c	
d Net short-term capital gain (loss) (Schedule D (Form 1120S))		4d	
e Net long-term capital gain (loss) (Schedule D (Form 1120S))		4e	
f Other portfolio income (loss) (attach schedule)		4f	
5 Net gain (loss) under section 1231 (other than due to casualty or theft) (see instructions)		5	
6 Other income (loss) (attach schedule)		6	
7 Charitable contributions (attach list)		7	
8 Section 179 expense deduction (attach schedule)		8	
9 Expenses related to portfolio income (loss) (attach schedule) (see instructions)		9	
10 Other deductions (attach schedule)		10	
Credits			
11a Jobs credit		11a	
b Low-income housing credit: (1) Partnership to which section 42(j)(5) applies		11b(1)	
(2) Other		11b(2)	
c Qualified rehabilitation expenditures related to rental real estate activity(ies) (attach schedule)		11c	
d Credits related to rental real estate activity(ies) other than on lines 11b and 11c (attach schedule)		11d	
e Credit(s) related to other rental activity(ies) (see instructions) (attach schedule)		11e	
12 Other credits (attach schedule)		12	
Investment Interest			
13a Interest expense on investment debts		13a	
b (1) Investment income included on lines 4a through 4f, Schedule K		13b(1)	
(2) Investment expenses included on line 9, Schedule K		13b(2)	
Tax Preference and Adjustment Items			
14a Accelerated depreciation of real property placed in service before 1987		14a	
b Accelerated depreciation of leased personal property placed in service before 1987		14b	
c Depreciation adjustment on property placed in service after 1986		14c	
d Depletion (other than oil and gas)		14d	
e (1) Gross income from oil, gas, or geothermal properties		14e(1)	
(2) Gross deductions allocable to oil, gas, or geothermal properties		14e(2)	
f Other items (attach schedule)		14f	
Foreign Taxes			
15a Type of income			
b Name of foreign country or U.S. possession			
c Total gross income from sources outside the U.S. (attach schedule)		15c	
d Total applicable deductions and losses (attach schedule)		15d	
e Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued		15e	
f Reduction in taxes available for credit (attach schedule)		15f	
g Other (attach schedule)		15g	
Other Items			
16 Total property distributions (including cash) other than dividends reported on line 18, Schedule K		16	
17 Other items and amounts not included in lines 1 through 16, Schedule K, that are required to be reported separately to shareholders (attach schedule)			
18 Total dividend distributions paid from accumulated earnings and profits contained in other retained earnings (line 26 of Schedule L)		18	

Schedule L Balance Sheets

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash				
2 Trade notes and accounts receivable				
a Less allowance for bad debts				
3 Inventories				
4 Federal and state government obligations				
5 Other current assets (attach schedule)				
6 Loans to shareholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets				
a Less accumulated depreciation				
10 Depletable assets				
a Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
a Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets				
Liabilities and Shareholders' Equity				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)				
18 Loans from shareholders				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Capital stock				
22 Paid-in or capital surplus				
23 Accumulated adjustments account				
24 Other adjustments account				
25 Shareholders' undistributed taxable income previously taxed				
26 Other retained earnings (see instructions)				
Check this box if the corporation has subchapter C earnings and profits at the close of the tax year ▶ ☐ (see instructions)				
27 Total retained earnings per books—Combine amounts on lines 23 through 26, columns (a) and (c) (see instructions)				
28 Less cost of treasury stock		( )		( )
29 Total liabilities and shareholders' equity				

Schedule M **Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed** (If Schedule L, column (c), amounts for lines 23, 24, or 25 are not the same as corresponding amounts on line 9 of Schedule M, attach a schedule explaining any differences. See instructions.)

	Accumulated adjustments account	Other adjustments account	Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of year			
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Total of lines 1, 2, and 3			
5 Distributions other than dividend distributions			
6 Loss from page 1, line 21			
7 Other reductions			
8 Add lines 5, 6, and 7			
9 Balance at end of tax year—Subtract line 8 from line 4			

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 1120S

U.S. Income Tax Return for an S Corporation

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file the following forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to IRS
1120S	59 hrs., 33 min.	21 hrs., 45 min.	36 hrs., 42 min.	3 hrs., 45 min.
Sch. D (1120S)	8 hrs., 37 min.	4 hrs., 13 min.	9 hrs., 13 min.	1 hr., 20 min.
Sch. K-1 (1120S)	17 hrs., 42 min.	10 hrs., 31 min.	14 hrs., 59 min.	1 hr., 4 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Voluntary Contributions To Reduce the Public Debt

Quite often, inquiries are received about how to make voluntary contributions to reduce the public debt. A corporation may contribute by enclosing with the tax return a check made payable to "Bureau of the Public Debt."

Changes You Should Note

Changes to Schedule K-1

• **Shareholder participation in corporate activities.**—Under the provisions of temporary regulations section 1.469-5T, determinations as to the level of a shareholder's participation in a corporate activity must be made by the shareholder rather than the corporation.

Accordingly, the section 469 material and active participation questions (D and E on the 1987 Schedule K-1) were deleted from Schedule K-1. The **1988 Shareholder's Instructions for Schedule K-1 (Form 1120S)** provide details on how participation is determined.

Important Tax Law Changes

The Revenue Act of 1987 **(1987 Act)** and the Technical Corrections and Miscellaneous Revenue Act of 1988 **(1988 Act)** made many changes that affect S corporations and shareholders of the S corporation. Some of the major changes are summarized below.

• **Election of a Tax Year Other Than a Calendar Year.**—Under the provisions of section 444, an S corporation may elect to have a tax year other than a permitted tax year required under section 1378, but only if the deferral period of the tax year is not longer than 3 months. This election is made by filing **Form 8716**, Election To Have a Tax Year Other Than a Required Tax Year. A permitted tax year is a tax year ending December 31, or any other tax year for which the S corporation establishes a business purpose.

An S corporation may not make or continue an election under section 444 if it is a member of a tiered structure, other than a tiered structure that consists entirely of partnerships or S corporations (or both) all of which have the same tax year. For the S corporation to have a section 444 election in effect, it must make the payments required by section 7519. See the "Computation Schedule for Required Payments Under Section 7519 and related instructions" on page 20 of these instructions for information on required payments.

• **Vacation pay.**—The special election that allows accrual method taxpayers a deduction for additions to a reserve for vacation pay has been repealed. Generally, the amount now allowed as a deduction for vacation pay is limited to the amount of vacation pay earned during the year to the extent it is paid during the year or vested at the end of the year and paid within 2½ months after the end of the year.

The change from the reserve method is treated as a change in method of accounting initiated by the taxpayer and made with IRS consent. The net amount of the adjustment required by the change in accounting method equals the excess of the amount in the reserve at the end of the year preceding the year of change over the amount accrued at the end of the year preceding the year of change and paid within 2½ months after the close of that year. The net amount of the adjustment reduced by the balance in the suspense account under section 463(c) must be included in income as follows: 25% for the year of change, 5% in the 1st year after the year of change, 35% for the 2nd year after the year of change, and 35% in the 3rd year after the year of change. However, if Rev. Proc. 84-74, 1984-2 C.B. 736, requires the adjustment to be taken into account over a period of less than 4 years, the adjustment is to be included in income ratably over the shorter period. See 1987 Act section 10201 for more information.

• **Installment method for dealer dispositions of property.**—The installment method has been repealed for dispositions of property by dealers after 1987. In addition, the proportionate disallowance rules of section 453C have been repealed for dispositions after 1987. See section 453 for details and exceptions.

• **Installment sales: Nondealer dispositions.**—The proportionate disallowance rule related to the sale of nonfarm real property used in a business or rental activity if the sale price exceeds $150,000 has been repealed. However, to the extent that the amount of deferred payments from all dispositions of such real property during any tax year beginning after December 31, 1987, exceeds $5 million, an interest charge is imposed on the deferred tax. In addition, if any indebtedness is secured directly by an installment obligation that arises out of the disposition of such property, the net proceeds of the secured obligation will be treated as a payment on the installment obligation. This rule applies to any nondealer real property installment obligation that is pledged after December 17, 1987, in tax years ending after that date. See section 453A for details.

• **Long-term contracts.**—Effective for long-term contracts entered into after October 13, 1987, and before June 21, 1988, that are accounted for under the percentage of completion-capitalized cost method, the percentage of items taken into account under the percentage of completion method has been increased to 70%.

For long-term contracts (except certain residential construction contracts) entered into after June 20, 1988, that are accounted for under the percentage of completion-capitalized cost method, this percentage has been increased to 90%. Generally, builders of single-family residences and dwelling units in buildings containing 4 or fewer dwelling units are not required to use either the percentage of completion method or the percentage of completion-capitalized cost method for contracts entered into after June 20, 1988. See section 460 for details.

• **Capitalization of past service pension costs.**—Contributions to a pension or annuity plan representing past service costs are now subject to the uniform capitalization rules of section 263A or the long-term contract rules of section 460. Thus, an allocable share of all otherwise allowable pension costs, whether they relate to current or past services, must be included in the basis of property produced or held for resale, including property the taxpayer produces under a long-term contract. This change in law is effective for costs incurred after 1987 for property (other than inventory) produced by the taxpayer, including costs allocable to long-term contracts under section 460. For inventory costs, the change is effective for tax years beginning after 1987, and is treated as a change in method of accounting initiated by the taxpayer and made with IRS consent. Any adjustment required under section 481(a) must be included in income over a period not to exceed 4 years.

• **Payments for certain fringe benefits no longer deductible by an S corporation.**—Payments for fringe benefits for a "2% shareholder" are no longer deductible by the S corporation. See the specific instructions for line 18 of Form 1120S.

Reminders

• **Preaddressed label.**—Use the preaddressed label and envelope that comes with the tax package to help speed up the processing of your return.

• S corporations in several states will be filing their returns at a different service center this year. Use the envelope that came with your return or see the instructions for Where to File.

• Corporations subject to the consolidated audit procedures of sections 6241 through 6245 may designate a Tax Matters Person (TMP) on page 2 of Form 1120S.

• **Registration of tax shelter.**—If an S corporation is a tax shelter, is involved in a tax shelter, is considered to be the organizer of a tax shelter, or the corporation is a pass-through entity of tax shelter benefits, there are reporting requirements under section 6111 for both the corporation and its shareholders.

See **Form 8264**, Application for Registration of a Tax Shelter, and **Form 8271**, Investor Reporting of Tax Shelter Registration Number, and their related instructions for information the corporation must provide to IRS and to the shareholders to enable them to comply with tax shelter reporting requirements.

The corporation must enter its tax shelter registration number in item C of Schedule K-1 if applicable. Also, complete item P on page 2 of Form 1120S.

General Instructions

Purpose of Form

Form 1120S is used if a domestic corporation has filed **Form 2553**, Election by a Small Business Corporation, to be an S corporation and its election is in effect. Do not file your first Form 1120S until you have been notified by the IRS that your election is accepted and the tax year it will take effect.

Filing Form 1120S

Who Must File

You must file Form 1120S if: (a) you elected by filing Form 2553 to be taxed as an S corporation, (b) IRS accepted your election, and (c) the election remains in effect.

Form 1120S and related schedules can be filed via electronic transmission or on magnetic media. If the corporation files its return via electronic transmission or on magnetic media, it must file **Form 8453-S**, S Corporation Declaration for Magnetic Media/Electronic Filing. Form 8453-S, together with the magnetic media/electronic transmission, comprise the S corporation's tax return for the tax year. See Form 8453-S for more information.

End of Election

Once the election is made, it stays in effect for all years until it is terminated. During the 5 years after the tax year the election has been terminated, the corporation can make another election on Form 2553 only if the Commissioner consents. See section 1362(g), and related regulations.

The election ends **automatically** in any of the following cases.

a. The corporation is no longer a small business corporation as defined in section 1361(b). The ending of an election in this manner is effective as of the day on which the corporation ceases to be a small business corporation. See sections 1362(d)(2) and 1362(e) for more information.

b. If, for each of three consecutive tax years, the corporation has both subchapter C earnings and profits, and gross receipts more than 25% of which are derived from passive investment income as defined in section 1362(d)(3)(D), the election shall terminate on the first day of the first tax year beginning after the third consecutive tax year. The corporation must pay a tax for each year it has excess net passive income. See specific instructions for line 22a for details on how to figure the tax.

Revocations.—The election may be revoked if shareholders who collectively own a majority of the stock in the corporation consent to a revocation. If the specified date is on or after the date of consent to the revocation, the revocation is effective as of the specified date. If no date is specified, the revocation is effective as of the beginning of a tax year if it is made on or before the 15th day of the 3rd month of such tax year. If no date is specified and the revocation is made after the 15th day of the 3rd month, it is not effective until the beginning of the following tax year. See section 1362(d)(1) for more information.

When To File

In general, file Form 1120S by the 15th day of the 3rd month after the end of the tax year.

Use **Form 7004**, Application for Automatic Extension of Time To File Corporation Income Tax Return, to request an automatic 6-month extension of time to file Form 1120S.

Period To Be Covered by 1988 Return

File the 1988 return for calendar year 1988 and fiscal years beginning in 1988 and ending in 1989. If the return is for a fiscal year, fill in the tax year spaces on the form.

Note: *The 1988 Form 1120S may also be used if: (1) the corporation has a tax year of less than 12 months that begins and ends in 1989, and (2) the 1989 Form 1120S is not available by the time the corporation is required to file its return. However, the corporation must show its 1989 tax year on the 1988 Form 1120S and incorporate any tax law changes that are effective for tax years beginning after December 31, 1988.*

Initial or Final Return

If this is the S corporation's initial return or final return, check the applicable box in item F at the top of the form.

Change in Address

If there has been a change in address from the previous year, check the box for Change in Address in item F at the top of Form 1120S.

Amended Return

To correct an error in a Form 1120S already filed, file an amended Form 1120S and check the box for Amended Return in item F at the top of the form. If the amended return results in a change to income, or a change in the distribution of any income or other information provided to shareholders, an amended Schedule K-1 (Form 1120S) must also be filed with the amended Form 1120S and given to each shareholder. Write "AMENDED" across the top of the corrected Schedule K-1 you give each shareholder.

Designation of Tax Matters Person (TMP)

If the S corporation is subject to sections 6241 through 6245 (consolidated audit procedures), it may designate an individual shareholder as the TMP for the tax year for which the return is filed by completing the Designation of Tax Matters Person section at the bottom of page 2 of Form 1120S. Temporary Regulations section 301.6241-1T provides an exception to the consolidated provisions for small S corporations with 5 or fewer shareholders each of whom is a natural person or an estate. See sections 6241 through 6245 and Temporary Regulations 301.6241-1T for other details.

Where To File

If the corporation's principal business, office or agency is located in ▼	Use the following Internal Revenue Service Center address ▼
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Florida, Georgia, South Carolina	Atlanta, GA 39901
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301

Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255

Accounting Methods

Figure ordinary income using the method of accounting regularly used in keeping the corporation's books and records. Such method may include the cash receipts and disbursements method, accrual method or any other method permitted by the Internal Revenue Code. In all cases, the method adopted must clearly reflect income. (See section 446.)

Unless the law specifically states otherwise, a corporation may change the method of accounting used to report income in earlier years (for income as a whole or for any material item) only by first getting consent on **Form 3115**, Application for Change in Accounting Method.

Rounding Off to Whole-Dollar Amounts

You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next higher dollar.

Change in Accounting Period

To change an accounting period, see Regulations section 1.442-1 and **Form 1128**, Application for Change in Accounting Period. Also see **Publication 538**, Accounting Periods and Methods. The S corporation may also elect under section 444 to have a tax year other than a calendar year. See **Election of a Tax Year Other Than a Calendar Year** under **Changes You Should Note** on page 1 of these instructions.

Paying the Tax

The corporation must pay the tax due (line 24, page 1) in full within 2½ months after the end of the tax year.

Deposit corporation income tax payments with a Federal Tax Deposit Coupon (**Form 8109**). Be sure to darken the "1120" box on the coupon. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve bank or branch servicing the geographic area where the corporation is located. Do not submit deposits directly to an IRS office; otherwise, the corporation may be subject to a penalty. Records of deposits will be sent to IRS for crediting to the corporation's account. See the instructions contained in the coupon book (Form 8109) for more information.

To get more deposit forms, use the reorder form (Form 8109A) provided in the coupon book.

For additional information concerning deposits, see **Publication 583,** Information for Business Taxpayers.

Interest and Penalties

Interest.—Interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, gross valuation overstatements, and substantial understatements of tax from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

Late Filing of Return.—Form 1120S is required to be filed by sections 6037(a) and 6012. A corporation that does not file its tax return by the due date, including any extensions, may have to pay a penalty of 5% a month, or fraction of a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due. See section 6651(a)(1).) The minimum penalty for not filing a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or $100.

Late Payment of Tax.—A corporation that does not pay the tax when due generally may have to pay a penalty of ½ of 1% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due. See section 6651(a)(2).)

Failure To Furnish Information Timely.—Section 6037(b) requires the S corporation to furnish to each shareholder a copy of such information shown on Schedule K-1 (Form 1120S) that is attached to Form 1120S. The Schedule K-1 must be furnished to each shareholder on or before the day on which the Form 1120S was filed. Generally, Form 1120S must be filed by the 15th day of the 3rd month after the end of the S corporation's tax year.

There is a $50 penalty for each failure to furnish Schedule K-1 by the prescribed date. In addition, if a Schedule K-1 does not include all of the information required to be shown or includes incorrect information, an additional penalty may be imposed. See sections 6722, 6723, and 6724 for more information.

These penalties will not be imposed if the corporation can show that not filing, not paying, or not furnishing information timely was due to reasonable cause and not willful neglect.

Stock Ownership in Foreign Corporations

If the corporation owned at least 5% in value of the outstanding stock of a foreign personal holding company, attach the statement required by section 551(c).

A corporation that controls a foreign corporation; or that is 10%-or-more shareholder of a controlled foreign corporation; or acquires, disposes of, or owns 5% or more ownership in the outstanding stock of a foreign corporation, may have to file **Form 5471**, Information Return With Respect to a Foreign Corporation.

General Information

In addition to the publications listed throughout these instructions, you may wish to get: **Publication 589,** Tax Information on S Corporations; **Publication 334,** Tax Guide for Small Business; **Publication 535,** Business Expenses; **Publication 550,** Investment Income and Expenses; and **Publication 556,** Examination of Returns, Appeal Rights, and Claims for Refund.

Net Operating Loss and Other Deductions

An S corporation may not take the deduction for net operating losses provided by section 172 and the special deductions in sections 241 through 250 (except section 248).

Subject to limitations, the corporation's net operating loss is allowed as a deduction from the shareholders' gross income. (See section 1366.)

Attachments

Attach **Form 4136,** Computation of Credit for Federal Tax on Fuels, after page 4, Form 1120S. Attach schedules in alphabetical order and other forms in numerical order after Form 4136.

To assist us in processing the return, we ask that you complete every applicable entry space on Form 1120S and Schedule K-1. Please do not attach statements and write "See attached" in lieu of completing the entry spaces on Form 1120S and Schedule K-1.

If you need more space on the forms or schedules, attach separate sheets and show the same information in the same order as on the printed forms. **But show your totals on the printed forms.** Please use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the schedules and forms. Be sure to put the taxpayer's name and employer identification number (EIN) on each sheet.

Unresolved Tax Problems

IRS has a Problem Resolution Program for taxpayers who have been unable to resolve their problems with IRS. If the corporation has a tax problem it has been unable to resolve through normal channels, write to the corporation's local IRS district director or call the corporation's local IRS office and ask for Problem Resolution Assistance. This office will take responsibility for your problem and ensure that it receives proper attention. Although the Problem Resolution Office cannot change the tax law or make technical decisions, it can frequently clear up misunderstandings that may have resulted from previous contacts.

Signature

The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign.

A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of a corporation.

If your corporate officer fills in Form 1120S, the Paid Preparer's space under "Signature of Officer" should remain blank. If someone prepares Form 1120S and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120S should not sign. For example, a regular, full-time employee of the corporation such as a clerk, secretary, etc., does not have to sign.

In general, anyone paid to prepare Form 1120S must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The preparer required to sign the return MUST:

- Complete the required preparer information.
- Sign, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120S to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045**, Information for Tax Practitioners, for more details.

Transfers to Corporation Controlled by Transferor

If a person acquires stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the transferor and transferee must attach the information required by regulations section 1.351-3.

Information Returns That May Be Required

Form 966, Corporate Dissolution or Liquidation.

Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Use this form to summarize and send information returns to the Internal Revenue Service Center.

Form 1098, Mortgage Interest Statement. This form is used to report the receipt from any individual of $600 or more of mortgage interest in the course of the corporation's trade or business.

Forms 1099-A, B, DIV, INT, MISC, OID, PATR, S, and R. You may have to file these information returns to report abandonments and acquisitions through foreclosure, proceeds from broker and barter exchange transactions, certain dividends, interest payments, medical and dental health care payments, miscellaneous income, original issue discount, patronage dividends, total distributions from profit-sharing plans, retirement plans, and individual retirement arrangements and proceeds from real estate transactions. Also use certain of these returns to report amounts that were received as a nominee on behalf of another person.

For more information, see **Publication 916**, Information Returns.

Use Form 1099-DIV to report actual dividends paid by the corporation. Only distributions from accumulated earnings and profits are classified as dividends. Do not issue Form 1099-DIV for dividends received by the corporation that are allocated to shareholders on line 4b of Schedule K-1.

Note: *Every corporation must file information returns if it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling $600 or more to any one person in the course of its trade or business during the calendar year.*

Form 5713, International Boycott Report. Every corporation that had operations in, or related to, a boycotting country, company, or national of a country must file Form 5713. In addition, persons who participate in or cooperate with an international boycott may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, IC-DISC benefits, and FSC benefits.

Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments. This form is used by issuers of publicly offered debt instruments having OID to provide the information required by section 1275(c).

Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business. This form is used to report the receipt of more than $10,000 in cash or foreign currency in one transaction (or a series of related transactions).

Windfall Profit Tax. Generally, the S corporation will notify each shareholder of any income tax deduction for windfall profit tax on **Form 6248**, Annual Information Return of Windfall Profit Tax. Include on line 20 of Schedule K-1, or on the statement attached for line 20 of Schedule K-1, the shareholder's share of windfall profit tax. The individual shareholder figures his or her overpaid windfall profit tax on **Form 6249**, Computation of Overpaid Windfall Profit Tax. **Note:** *The windfall profit tax does not apply to crude oil removed after August 22, 1988.*

Caution: *Some S corporations may elect to be treated as authorized to act on behalf of the shareholders. If the corporation makes this election, the preceding paragraph will not apply. See the instructions for line 23a, Form 1120S, for details on how the corporation claims the overpaid windfall profit tax on Form 1120S.*

Form 8697, Interest Computation Under the Look-Back Method of Completed Long Term Contracts. Certain S corporations that are not closely-held may have to file Form 8697. Form 8697 is used to figure the interest due or to be refunded under the look-back method of section 460(b)(3) on certain long term contracts entered into after February 28, 1986, that are accounted for under either the percentage of completion-capitalized cost method or the percentage of completion method. Closely-held corporations should see the instructions for line 20, item n, of Schedule K-1 for details on the Form 8697 information they must pass through to their shareholders.

Passive Activity Limitations

In general section 469 limits the amount of losses, deductions, and credits that shareholders may claim from "passive activities." Generally, passive activities include: (a) activities that involve the conduct of a trade or business in which the shareholder does not materially participate, and (b) any rental activity (see definition below), even if the shareholder materially participates. The level of each shareholder's participation in an activity must be determined by the shareholder.

The passive activity rules provide that losses and credits from passive activities can generally be applied only against income and tax from passive activities. Thus, passive losses and credits cannot be applied against income from salaries, wages, professional fees, or a business in which the shareholder materially participates; against "portfolio income" (see definition below); or against the tax related to any of these types of income.

Special provisions apply to certain activities. First, special transitional rules apply to losses with respect to corporate interests acquired and activities commenced before October 23, 1986. Second, special rules apply with respect to losses incurred by investors in qualified low-income housing projects. Third, special rules require that net income from certain activities that would otherwise be treated as passive income must be recharacterized as nonpassive income for purposes of the passive activity limitations.

The passive activity limitations do not apply to the corporation. Instead, they apply to each shareholder's share of any income or loss and credit attributable to a passive activity conducted through the S corporation. Because the treatment of each shareholder's share of the corporation's income or loss and credit depends upon the nature of the activity that generated it, the corporation must report income or loss and credits separately for each of the following: trade or business activities, rental real estate activities, rental activities other than rental real estate, and portfolio income. For definitions of each type of activity or income, see "Types of Activities and Income." For details on the special reporting requirements for passive activities, see "Passive Activity Reporting Requirements."

Types of Activities and Income

1. Trade or business activities.—A trade or business activity involves the conduct of a trade or business within the meaning of section 162.

If the shareholder does not materially participate in the activity, a trade or business activity of the corporation is a passive activity for the shareholder. **Note:** *The section 469(c)(3) exception for a working interest in oil and gas properties is not applicable in the case of an S corporation because state law generally limits the liability of corporate shareholders, including shareholders of an S corporation.*

Accordingly, an activity of holding a working interest in oil or gas properties is a trade or business activity and the material participation rules apply to determine if the activity is a passive activity. See temporary regulations section 1.469-1T(e)(4).

The determination as to whether or not a shareholder materially participated in an activity must be made by each shareholder. As a result, while the corporation's overall trade or business income (loss) is reported on page 1 of Form 1120S, the specific income and deductions from each separate trade or business activity must be reported on attachments to Form 1120S. Similarly, while each shareholder's allocable share of the corporation's overall trade or business income (loss) is reported on line 1 of Schedule K-1, each shareholder's allocable share of the income and deductions from each trade or business activity must be reported on attachments to each Schedule K-1. See **Passive Activity Reporting Requirements,** on page 6 for more information.

2. Rental Activities.—In reporting the corporation's income or losses and credits from rental activities, the corporation must separately report (a) rental real estate activities and (b) rental activities other than rental real estate activities.

Definition of rental activities.—Generally, except as noted below, if the gross income from an activity consists of amounts paid principally for the use of real or personal tangible property held by the corporation, the activity is a rental activity. There are several exceptions to this general rule. Under these exceptions, an activity involving the use of real or personal tangible property is not a rental activity if: (a) the average period of customer use (see definition below) for such property is 7 days or less; (b) the average period of customer use for such property is 30 days or less and significant personal services (see definition below) are provided by or on behalf of the corporation; (c) extraordinary personal services (see definition below) are provided by or on behalf of the corporation; (d) the rental of such property is treated as incidental to a nonrental activity of the corporation under temporary regulations section 1.469-1T(e)(3)(vi); or (e) the corporation customarily makes the property available during defined business hours for nonexclusive use by various customers. In addition, if a corporation owns an interest in a partnership that conducts a nonrental activity, and the corporation provides property for use in that activity in the corporation's capacity as an owner of an interest in the partnership, the provision of the property is not a rental activity. Whether the corporation provides property used in an activity of a partnership in the corporation's capacity as an owner of an interest in the partnership is based on all the facts and circumstances.

Average period of customer use.—The average period of customer use of property is computed by dividing the total number of days in all rental periods by the number of rentals during the tax year.

Significant personal services.—Personal services include only services performed by individuals. In determining whether personal services are significant personal services, all of the relevant facts and circumstances are taken into consideration. Relevant facts and circumstances include the frequency that the services are provided, the type and amount of labor required to perform the services, and the value of the services in relation to the amount charged for the use of the property. The following services are excluded from consideration in determining whether personal services are significant: (a) services necessary to permit the lawful use of the rental property; (b) services performed in connection with improvements or repairs to the rental property that extend the useful life of the property substantially beyond the average rental period; and (c) services provided in connection with the use of any improved real property that are similar to those commonly provided in connection with long-term rentals of high-grade commercial or residential property (e.g., cleaning and maintenance of common areas, routine repairs, trash collection, elevator service, and security at entrances).

Extraordinary personal services.—Services provided in connection with making rental property available for customer use are extraordinary personal services only if the services are performed by individuals and the customers' use of the rental property is incidental to their receipt of the services. For example, a patient's use of a hospital room generally is incidental to the care that the patient receives from the hospital's medical staff. Similarly, a student's use of a dormitory room in a boarding school is incidental to the personal services provided by the school's teaching staff.

Rental property incidental to a nonrental activity.—An activity is not a rental activity if the rental of the property is incidental to a nonrental activity, such as the activity of holding property for investment, a trade or business activity, or the activity of dealing in property.

Rental property is incidental to an activity of holding property for investment if the main purpose for holding the property is to realize a gain from the appreciation of the property and the gross rental income is less than the smaller of 2 percent of the unadjusted basis of the property or 2 percent of the fair market value of the property.

Rental property is incidental to a trade or business activity if: (a) the corporation owns an interest in the trade or business at all times during the year; (b) the rental property was mainly used in the trade or business activity during the tax year or during at least two of the five preceding tax years; and (c) the gross rental income from the property is less than the smaller of 2 percent of the unadjusted basis of the property or 2 percent of the fair market value of the property.

The sale or exchange of property that is also rented during the tax year (where the gain or loss is recognized) is treated as incidental to the activity of dealing in property if, at the time of the sale or exchange, the property was held primarily for sale to customers in the ordinary course of the corporation's trade or business.

See temporary regulations section 1.469-1T(e)(3) for more information on the definition of rental activities for purposes of the passive activity limitations.

2(a). Rental real estate activities.—Generally, a rental real estate activity involves the renting or leasing of real property.

Shareholders who actively participate in a rental real estate activity may be able to deduct part or all of their rental real estate losses (and the deduction equivalent of rental real estate credits) against income (or tax) from nonpassive activities. Generally, the combined amount of rental real estate losses and the deduction equivalent of rental real estate credits from all sources (including rental real estate activities not held through the corporation) that may be claimed is limited to $25,000.

Special transitional rules apply to investors in qualified low-income housing projects. See section 502 of the 1986 Act and **Publication 925,** Passive Activity and At-Risk Rules, for more information.

Rental real estate activity income (loss) is reported on line 2 of Schedules K and K-1 rather than on page 1 of Form 1120S.

Credits related to rental real estate activities are reported on lines 11c and 11d of Schedules K and K-1. Low-income housing credits are reported on line 11b of Schedules K and K-1.

2(b). Rental activities other than rental real estate activities.—Generally, this consists of activities involving the renting or leasing of tangible property other than real estate.

Income (loss) from rental activities other than rental real estate are reported on line 3 of Schedules K and K-1, and credits related to rental activities other than rental real estate are reported on line 11e of Schedules K and K-1.

3. Portfolio income.—Generally, portfolio income includes all gross income, other than income derived in the ordinary course of a trade or business, that is attributable to: interest; dividends; royalties; income from a real estate investment trust, a regulated investment company, a real estate mortgage investment conduit, a common trust fund, a controlled foreign corporation, a qualified electing fund, or a cooperative; income from the disposition of property that produces income of a type defined as portfolio income; and income from the disposition of property held for investment.

For purposes of the above definitions, gross income derived in the ordinary course of a trade or business includes (and portfolio income, therefore, does not include) only the following types of income: (a) interest income on loans and investments made in the ordinary course of a trade or business of lending money; (b) interest on accounts receivable arising from the performance of services or the sale of property in the ordinary course of a trade or business of performing such services or selling such property, but only if credit is customarily offered to customers of the business; (c) income from investments made in the ordinary course of a trade or business of furnishing insurance or annuity contracts or reinsuring risks underwritten by insurance companies; (d) income or gain derived in the ordinary course of an activity of trading or dealing in any property if such activity constitutes a trade or business (unless the dealer held the property for investment at any time before such income or gain is recognized); (e) royalties derived by the taxpayer in the ordinary course of a trade or business of licensing intangible

property; (f) amounts included in the gross income of a patron of a cooperative by reason of any payment or allocation to the patron based on patronage occurring with respect to a trade or business of the patron; and (g) other income identified by the IRS as income derived by the taxpayer in the ordinary course of a trade or business.

See temporary regulations section 1.469-2T(c)(3) for more information on portfolio income.

Portfolio income is reported on line 4 of Schedules K and K-1, rather than on page 1 of Form 1120S.

Expenses related to portfolio income are reported on line 9 of Schedules K and K-1.

Recharacterization of Passive Income

Under the provisions of temporary regulations section 1.469-2T(f), net passive income from certain passive activities must be treated as nonpassive income. Net income from the following activities is subject to recharacterization: (1) significant participation activities, (2) activities of renting substantially nondepreciable property, (3) equity-financed lending activities, (4) rental activities incidental to a development activity, (5) activities of renting property to a nonpassive activity, and (6) activities related to an interest in a passthrough entity that licenses intangible property.

Any net passive income from an activity of renting substantially nondepreciable property from an equity-financed lending activity, or from an activity related to an interest in a passthrough entity that licenses intangible property that is recharacterized as nonpassive income, is treated as investment income for purposes of computing investment interest expense limitations. "Net passive income" means the excess of passive activity gross income from the activity over passive activity deductions (current year deductions and prior year unallowed losses) from the activity.

1. Significant participation activities.—A significant participation activity is any trade or business activity in which the shareholder both participates for more than 100 hours during the tax year and does not materially participate. Because each shareholder must determine his or her level of participation, the corporation will not be able to identify significant participation activities.

2. Certain nondepreciable rental property activities.—Net passive income from a rental activity is nonpassive income if less than 30 percent of the unadjusted basis of the property used or held for use by customers in the activity is subject to depreciation under section 167.

3. Equity-financed lending activities.—If the corporation has net income from an equity-financed lending activity, the lesser of the net passive income or equity-financed interest income from the activity is nonpassive income.

Note: *The amount of income from the activities in items 1 through 3, above, that any shareholder will be required to recharacterize as nonpassive income may be limited under temporary regulations section 1.469-2T(f)(8). Since the corporation will not have information regarding all of a shareholder's activities, it must identify all corporate activities meeting the definitions in items 1 through 3 as activities that may be subject to recharacterization.*

4. Rental activities incidental to a development activity.—Net rental activity income is nonpassive income for a shareholder if all of the following apply: (a) the corporation recognizes gain from the sale, exchange, or other disposition of the rental property during the tax year; (b) the use of the item of property in the rental activity started less than 24 months before the date of disposition (the use of an item of rental property begins when substantially all of the property is first held out for rent and is in a state of readiness for rental); and (c) the shareholder materially participated or significantly participated for any tax year in an activity that involved the performance of services for the purpose of enhancing the value of the property (or any other item of property, if the basis of the property disposed of is determined in whole or in part by reference to the basis of that item of property). "Net rental activity income" means the excess of passive activity gross income from renting or disposing of property over passive activity deductions (current year deductions and prior year unallowed losses) that are reasonably allocable to the rented property.

Because the corporation cannot determine a shareholder's level of participation, the corporation must identify net income from property described in items (a) and (b) of paragraph 4 as income that may be subject to recharacterization.

5. Activities involving property rented to a nonpassive activity.—If a taxpayer rents property to a trade or business activity in which the taxpayer materially participates, the taxpayer's net rental activity income from the property is nonpassive income. "Net rental activity income" means the excess of passive activity gross income from renting or disposing of property over passive activity deductions (current year deductions and prior year unallowed losses) that are reasonably allocable to the rented property.

6. Activities related to an interest in a passthrough entity that licenses intangible property.—Generally, net royalty income from intangible property is nonpassive income if the taxpayer acquired an interest in the passthrough entity after the passthrough entity created the intangible property or performed substantial services or incurred substantial costs in developing or marketing the intangible property. "Net royalty income" means the excess of passive activity gross income from licensing or transfering any right in intangible property over passive activity deductions (current year deductions and prior year unallowed losses) that are reasonably allocable to the intangible property.

See temporary regulations section 1.469-2T(f)(7)(iii) for exceptions to this rule.

Passive Activity Reporting Requirements

To allow shareholders to correctly apply the passive activity loss and credit limitation rules, any corporation that carries on more than one activity for which income or loss is reported on line 1, 2, or 3 of Schedule K-1, must:

1. Provide an attachment for each activity conducted through the corporation that identifies the type of activity conducted (trade or business, rental real estate, rental activity other than rental real estate, or investment).

2. On the attachment for each activity, provide a schedule, using the same line numbers as shown on Schedule K-1, detailing the net income (loss), credits, and all items required to be separately stated under section 1366(a)(1) from each trade or business activity, from each rental real estate activity, from each rental activity other than a rental real estate activity, and from investments.

3. With respect to each separately identified activity, identify any activity that is a pre-enactment activity conducted through the corporation. See the instructions for items D and E of Schedule K-1, and the instructions for Form 8582 for rules applicable to pre-enactment interest in corporate activities.

4. Identify the net income (loss) and the shareholder's share of corporation interest expense from each activity of renting a dwelling unit that the shareholder also uses for personal purposes during the year for more than the greater of 14 days or 10 percent of the number of days that the residence is rented at fair rental value.

5. Identify the net income (loss) and the shareholder's share of interest expense from each activity of trading personal property conducted through the corporation.

6. With respect to any gain (loss) from the disposition of an interest in an activity or of an interest in property used in an activity (including dispositions before 1987 from which gain is being recognized after 1986):

(a) identify the activity in which the property was used at the time of disposition;

(b) if the property was used in more than one activity during the 12 months preceding the disposition, identify the activities in which the property was used and the adjusted basis allocated to each activity; and

(c) with respect to gain only, if the property was substantially appreciated at the time of the disposition and the applicable holding period specified in temporary regulations section 1.469-2T(c)(2)(iii)(A) was not satisfied, identify the amount of the nonpassive gain and indicate whether or not the gain is investment income under the provisions of temporary regulations section 1.469-2T(c)(2)(iii)(E).

7. Specify the amount of gross portfolio income, the interest expense properly allocable to portfolio income, and expenses

other than interest expense that are clearly and directly allocable to portfolio income.

8. Identify the ratable portion of any section 481 adjustment (whether a net positive or a net negative adjustment) allocable to each corporate activity.

9. Identify any gross income from sources that are specifically excluded from passive activity gross income, including: income from intangible property if the shareholder is an individual and the shareholder's personal efforts significantly contributed to the creation of the property; income from a qualified low-income housing project (as defined in section 502 of the 1986 Act) conducted through the corporation; income from state, local, or foreign income tax refunds; and income from a covenant not to compete (in the case of a shareholder who is an individual and who contributed the covenant to the corporation).

10. Identify any deductions that are not passive activity deductions.

11. If the corporation makes a full or partial disposition of its interest in another entity, identify the gain (loss) allocable to each activity conducted through the entity, and the gain allocable to a passive activity that would have been recharacterized as nonpassive gain had the corporation disposed of its interest in property used in the activity (because the property was substantially appreciated at the time of the disposition, and the gain represented more than 10 percent of the shareholder's total gain from the disposition).

12. Identify the following items with respect to activities which may be subject to the recharacterization rules under temporary regulations section 1.469-2T(f):

(a) net income from an activity of renting substantially nondepreciable property;

(b) the lesser of equity-financed interest income or net passive income from an equity-financed lending activity;

(c) net rental activity income from property that was developed (by the shareholder or the corporation), rented, and sold within 24 months after the rental of the property commenced;

(d) net rental activity income from the rental of property by the corporation to a trade or business activity in which the shareholder had an interest (either directly or indirectly); and

(e) net royalty income from intangible property if the shareholder acquired the shareholder's interest in the corporation after the corporation created the intangible property or performed substantial services or incurred substantial costs in developing or marketing the intangible property.

13. With respect to credits, identify separately the credits from the corporation that are associated with each activity conducted by or through the corporation.

14. With respect to credits being taken on a qualified progress expenditure basis, identify the activity in which the property will be placed in service upon completion of the expenditures.

Specific Instructions

Item B. Business Code No.—See "Codes for Principal Business Activity" on page 19 of these instructions.

Item C. Employer Identification Number. If the employer identification number (EIN) on the label is wrong or if you did not receive a label, write the correct number at the top of the return.

A corporation that does not have an EIN should apply for one on **Form SS-4,** Application for Employer Identification Number. Obtain this form at most IRS or Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center to which Form 1120S is mailed. If the EIN has not been received by the filing time for Form 1120S, write "Applied for" in the space for the EIN. See Publication 583 for additional information.

Item E. Total Assets.—Enter the total assets, as determined by the accounting method regularly used in maintaining the corporation's books and records, at the end of the corporation's tax year. If there are no assets at the end of the tax year, enter the total assets as of the beginning of the tax year.

Item G. Consolidated Audit Procedures.—With certain exceptions, the tax treatment of S corporation items is determined at the S corporation level in a consolidated audit proceeding, rather than in separate proceedings with individual shareholders. Check the box for item G if any of the following apply:

1. The S corporation had more than 5 shareholders at any time during the tax year (for this purpose a husband and wife, and their estates, are treated as one shareholder); or

2. Any shareholder was other than a natural person or estate; or

3. The small S corporation (5 or less shareholders) has elected as provided in Temporary Regulations section 301.6241-1T(c)(2)(v) to be subject to the rules for consolidated proceedings.

For more information on the consolidated audit procedures for S corporations, see sections 6241 through 6245, Temporary Regulations section 301.6241-1T, and **Publication 556,** Examination of Returns, Appeal Rights, and Claims for Refund.

Gross Income

Caution: *Report only trade or business activity income or loss on lines 1a through 6. Do not report rental activity income or portfolio income or loss on these lines. Rental activity income and expenses and portfolio income and expenses are reported separately on Schedule K. See* instructions *for lines 2, 3, and 4 of Schedule K for details.*

Note: *Do not include any income that is tax exempt in lines 1 through 5, or any nondeductible expenses in lines 7 through 19. However, these income and expense items are used in figuring the amount for line 23 or 24 of Schedule L. Also, see instructions for line 17 of Schedule K and line 20 of Schedule K-1.*

A corporation that receives any exempt income other than interest, or holds any property or engages in an activity that produces exempt income, must attach to its return an itemized statement showing the amount of each type of exempt income and the expenses allocated to each type.

Line 1

Gross receipts

Enter gross receipts or sales from all trade or business operations except those you report on lines 4 and 5.

The rules for long-term contracts have been changed by the 1987 and 1988 Acts. See section 460 for more information.

Changes have also been made to the installment method. Effective for dispostions after 1987, the installment method is no longer available for dealer dispositions of property. In addition, the proportionate disallowance rules of section 453C have been repealed for dispositions after 1987. However, a dealer disposition does not include: (1) the disposition of property used or produced in the trade or business of farming, or (2) certain dispositions of timeshares and residential lots if the taxpayer elects to pay interest under section 453(l)(3). See the instructions for line 20, item j, of Schedule K-1 for information regarding this interest that must be passed through to each shareholder. See section 453(l) for more information.

Effective for tax years beginning after 1987, the installment method has also been repealed for installment obligations arising from dealer dispositions of property after February 28, 1986, and before January 1, 1988. If the corporation was reporting these obligations on the installment method, the gain that remains to be recognized as of the first day of the corporation's first tax year beginning after 1987 must be included in income as a section 481(a) adjustment over a period not to exceed 4 tax years. The rules of Revenue Procedure 84-74 are used to figure the amount includible each year, except that the section 481(a) adjustment must be included in income at a rate no slower than the rate of contraction of the corporation's dealer installment obligations. Do not include in the section 481(a) adjustment any gain that is taken into account under section 811(c)(6) of the 1986 Act (transition rule for sales of real property by dealers). Similarly, the section 481(a) adjustment is not affected by section 811(c)(7) of the 1986 Act, which permits the delayed payment of certain tax for sales of personal property by dealers. Both of these rules continue to apply to installment obligations arising out of dealer dispositions occurring after February 28, 1986, and before January 1, 1988. Include the amount reportable as income in 1988 on line 1a, page 1, and attach a computation. The change of accounting method is treated as initiated by the taxpayer and made with IRS consent.

For dealer dispositions of property before March 1, 1986, dispositions of property used or produced in the trade or business of farming, and certain dispositions of timeshares and residential lots reported under the installment method, enter on line 1a the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing the following for the current year and the 3 preceding years: (a) gross sales, (b) cost of goods sold, (c) gross profits, (d) percentage of gross profits to gross sales, (e) amount collected, and (f) gross profit on amount collected.

Line 2

Cost of goods sold and/or operations

See the instructions for Schedule A.

Line 4
Net Gain (Loss)

Caution: *Include only ordinary gains or losses from the sale, exchange, or involuntary conversion of assets used in a trade or business activity. Ordinary gains or losses from the sale, exchange, or involuntary conversions of assets of rental activities must be reported separately on Schedule K as part of the net income (loss) from the rental activity in which the property was used.*

In addition to the ordinary gains or losses from the corporation's attached **Form 4797**, Sales of Business Property, that are reported on line 4, a corporation that is a partner in a partnership must include its partnership share of ordinary gains (losses) from sales, exchanges, or involuntary or compulsory conversions (other than casualties or thefts) of the partnership's trade or business assets.

Do not include any recapture of expense deduction for recovery property (section 179). See the instructions for Schedule K-1, line 20, and the instructions for Form 4797 for more information.

Line 5
Other income

Enter any other taxable trade or business income not listed above and explain its nature on an attached schedule. Examples of other income are: (1) interest income derived in the ordinary course of the corporation's trade or business such as interest charged on receivable balances. (For details on other interest income, patronage dividends, etc. that is gross income derived in the ordinary course of a trade or business, see temporary regulations section 1.469-2T(c)(3)(ii)(A) through (G)); (2) recoveries of bad debts deducted in earlier years under the specific charge-off method; (3) the amount of credit for alcohol used as a fuel that was figured on **Form 6478**, Credit for Alcohol Used as Fuel; (4) the amount of the credit for Federal tax on gasoline and special fuels to the extent that it reduced your income tax (see Form 4136 for details); (5) refunds of taxes deducted in earlier years; and (6) section 481 income adjustments (show the computation of the 481 income on an attached schedule). Do not include those items requiring separate computations by shareholders that must be reported on Schedule K. (See the instructions for Schedules K and K-1.) Do not offset current year's taxes with tax refunds.

If "other income" consists of only one item, identify it by showing the account caption in parentheses on line 5. A separate schedule need not be attached to the return in this case.

Do not net any expense item (such as interest) with a similar income item. Report all trade or business expenses on lines 7 through 19.

Deductions

Caution: Report only trade or business activity related expenses on lines 7 through 19. Do not report rental activity expenses or expenses related to portfolio income on these lines. Expenses related to rental activities and portfolio income are reported directly on Schedule K. See instructions for lines 2, 3, and 4 of Schedule K for details.

Limitations on deductions

a. Section 263A Uniform Capitalization Rules.— The uniform capitalization rules of section 263A require corporations to capitalize or include in inventory certain costs incurred in connection with the production of real and personal tangible property held in inventory or held for sale in the ordinary course of business. Tangible personal property produced by a taxpayer includes a film, sound recording, video tape, book, or similar property. The rules also apply to personal property (tangible and intangible) acquired for resale. Taxpayers subject to the rules are required to capitalize not only direct costs but an allocable portion of most indirect costs (including taxes) that benefit the assets produced or acquired for resale. Interest expense paid or incurred in the course of production must be capitalized and is governed by special rules. For more information, see Notice 88-99, 1988-36 I.R.B. 29. The uniform capitalization rules also apply to the production of property constructed or improved by a taxpayer for use in its trade or business or in an activity engaged in for profit.

Section 263A does not apply to personal property acquired for resale if the taxpayer's annual average gross receipts are $10,000,000 or less. It does not apply to timber or to property produced under a long-term contract. See exception below for certain corporations engaged in farming. The rules do not apply to property which is produced for use by the taxpayer if substantial construction occurred before March 1, 1986.

In the case of inventory, some of the indirect costs that must now be capitalized, are administration expenses, taxes, insurance costs, compensation paid to officers attributable to services, rework labor, and contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans. Current deductions may be claimed for research and experimental costs under section 174. Intangible drilling costs for oil and gas and geothermal property, and mining and exploration and development costs are still separately reported to shareholders for purposes of determinations under sections 59(e) and 613A(c)(13). Temporary Regulations section 1.263A-1T specifies other indirect costs that may be currently deducted and those that must be capitalized with respect to production or resale activities. For more information, see Temporary Regulations section 1.263A-1T.

Generally, corporations required to change their method of accounting under section 263A must complete section A (items 1a, 3a, 3b, 4a, 11, and 12) and section D of Form 3115 (Rev. 11-87 or later) and the section 263A checklist contained in Notice 88-92, 1988-34 I.R.B. 23 (reprinted as **Publication 1426**, Automatic Change in Method To Comply With Section 263A), for each trade or business to which section 263A applies. You may choose your own format for reproducing the questions and answers for the section 263A checklist referred to in the notice. The Form 3115 and section 263A checklist must be attached to Form 1120S for the year of the change. However, if the first return to which section 263A applies was filed before October 21, 1988, and Form 3115 and the section 263A checklist were not filed with that return (or Form 3115 was filed without the section 263A checklist), Form 3115 (or a copy of the previously filed Form 3115) and the section 263A checklist must be attached to the first return filed after October 20, 1988. Identify the change at the top of page 1 of Form 3115 by printing or typing "Automatic Change in Accounting Method Under Section 263A." See Notice 88-92 for details.

The requirement to file Form 3115 or the section 263A checklist does not apply to any corporation required to change its accounting method under section 263A with respect to property produced by the corporation to be used in the corporation's trade or business (but only if the corporation's average annual gross receipts for the 3 tax years preceding the year of change do not exceed $10 million).

Exception—Section 263A(d) provides an exception to the section 263A rules for certain S corporations engaged in farming. Shareholders of S corporations which are not required to use the accrual method of accounting may elect to deduct currently the preproduction costs of certain plants and animals that were deductible under prior law. Because the election to deduct these expenses is made by the shareholder, the farming corporation should not capitalize such preproductive expenses but should, instead, separately report these expenses on line 17 of Schedule K, and each shareholder's share on line 20 of Schedule K-1. See Temporary Regulations section 1.263A-1T(c) for definitions and other details.

b. Meals and Entertainment Expense.— For 1988, the amount deductible for business meals and entertainment expense is generally limited to 80% of the amount otherwise allowable. For information on the 80% limitation and other limitations and special rules, see the instructions for line 19 of page 1, Form 1120S, and line 10, item e, of Schedule K.

c. Section 291 Limitations.—If the S corporation was a C corporation for any of the 3 immediately preceding years, the corporation may be required to adjust deductions allowed to the corporation for depletion of iron ore and coal, intangible drilling and exploration costs, and the amortizable basis of pollution control facilities. See section 291 for figuring the amount of the adjustment. If an item of expense is passed through separately and figured at the shareholder level, the section 291 limitations do not apply.

d. Business Startup Expenses.— Section 195 provides that an election may be made to amortize business start-up expenses over a period of at least 60 months.

e. Transactions Between Related Taxpayers.—See section 267 for rules on treatment of losses, expenses, and interest on transactions between related taxpayers.

Line 7

Compensation of officers

Enter on line 7 the total compensation of all officers.

Line 8

Salaries and wages

Enter on line 8a the amount of total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year.

Enter on line 8b the applicable jobs credit from **Form 5884**, Jobs Credit. See Instructions for Form 5884 for more information.

If a shareholder or a member of the family of one or more shareholders of the corporation renders services or furnishes capital to the corporation for which reasonable compensation is not paid, the IRS may make adjustments in the items taken into account by such individuals and the value of such services or capital. See section 1366(e).

Line 9

Repairs

Enter the cost of incidental repairs related to any trade or business activity, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life. New buildings, machinery, or permanent improvements that increase the value of the property are not deductible. They are chargeable to capital accounts and may be depreciated or amortized.

Do not include section 179 expense items. See instructions for line 8 of Schedules K and K-1 for details on reporting these items to shareholders.

Line 10

Bad debts

Generally, S corporations must use the specific charge-off method of accounting for bad debts, and deduct business bad debts when they become wholly or partially worthless.

If the corporation was required by the 1986 Act to change from the reserve method of computing bad debts, the balance in any reserve for bad debts is generally required to be included in income ratably over a 4-year period. See **Publication 548** for more information.

Line 12

Taxes

Enter taxes paid or incurred on business property for carrying on a trade or business, if not reflected in cost of goods sold. Federal import duties and Federal excise and stamp taxes are deductible only if paid or incurred in carrying on the trade or business of the corporation. Taxes incurred in the production or collection of income, or for the management, conservation, or maintenance of property held for the production of income, may be considered to be deductible only under section 212. These are not deductible on line 12; they are reported separately on Schedules K and K-1, line 10.

Do not deduct taxes assessed against local benefits that increase the value of the property assessed (such as for paving, etc.); Federal income taxes; estate, inheritance, legacy, succession, and gift taxes; or taxes reported elsewhere, such as in Schedule A.

Do not deduct section 901 foreign taxes. These taxes are reported separately on line 15 of Schedule K.

See section 263A(a) for information on capitalization of allocable costs (including taxes) for any property.

Note: *Taxes, including state and local sales taxes, paid or accrued in connection with the acquisition or disposition of business property must be added to the cost of the property, or, in the case of a disposition, subtracted from the amount realized. See section 164.*

Line 13

Interest

Include on line 13 only interest incurred in the trade or business activity(ies) of the corporation that is not claimed elsewhere on the return.

Caution:

a. *Do not include interest expense on debt used to purchase rental property or debt used in rental activities for which income or loss is reported on lines 2 and 3 of Schedule K.*

b. *Do not include interest expense which is clearly and directly allocable to gross income that is portfolio or investment income which is reported separately on line 13a of Schedule K.*

Do not include interest expenses on debt required to be allocated to the production of qualified property. Interest that is allocable to certain property produced by an S corporation for its own use or for sale must be capitalized. In addition, the corporation must also capitalize any interest on debt that is allocable to an asset used to produce the above property. A shareholder may have to capitalize interest that the shareholder incurs during the tax year with respect to the production expenditures of the S corporation. Similarly, interest incurred by an S corporation may have to be capitalized by a shareholder with respect to the shareholder's own production expenditures. The information required by the shareholder to properly capitalize interest for this purpose must be provided by the corporation in an attachment for line 20, item k, of Schedule K-1. See section 263A(f) and Notice 88-89, 1988-36 I.R.B. 29, for additional information.

Temporary Regulations section 1.163-8T gives rules for allocating interest expense among activities so that the passive activity limitation, investment interest limitation, and the personal interest limitation can be properly figured. Generally, interest expense is allocated in the same manner as debt is allocated. Debt is allocated by tracing disbursements of the debt proceeds to specific expenditures. These regulations give rules for tracing debt proceeds to expenditures.

See temporary regulations section 1.163-8T for special rules on allocation of interest expense, transitional rules, and other details.

Generally, prepaid interest can only be deducted over the period to which the prepayment applies. See section 461(g) for details.

Line 14

Depreciation

Enter depreciation expense from Form 4562. Include amortization expense from Form 4562 on line 19.

Do not include any expense deduction for recovery property (section 179) on this line. This amount is not deductible by the corporation. Instead, it is passed through to the shareholders on line 8 of Schedule K-1 (or on a statement attached to Schedule K-1).

Line 15

Depletion

Do not report depletion deductions for oil and gas properties on this line. Each shareholder figures depletion on these properties under section 613A(c)(13). See the instructions for line 17 of Schedule K and line 20 of Schedule K-1 for information on oil and gas depletion that must be supplied to the shareholders by the corporation.

Line 17

Pension, profit-sharing, etc., plans

Enter the deductible contributions not claimed elsewhere on the return made by the corporation for its employees under a qualified pension, profit-sharing, annuity, or Simplified Employee Pension plan (SEP), and under any other deferred compensation plan.

If the corporation contributes to an Individual Retirement Arrangement (IRA) for employees, include the contribution in salaries and wages on page 1, line 8a or Schedule A, line 3, and not on line 17.

Employers who maintain a pension, profit sharing, or other funded deferred compensation plan, whether or not qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms listed below:

Form 5500, Annual Return/Report of Employee Benefit Plan (with 100 or more participants).

Form 5500-C, Return/Report of Employee Benefit Plan (with fewer than 100 participants).

Form 5500-R, Registration Statement of Employee Benefit Plan. Complete the applicable form for each plan with fewer than 100 participants.

Form 5500EZ, Annual Return of One-Participant (Owners and Their Spouses) Pension Benefit Plan. Complete this form for a one-participant plan.

There are penalties for failure to file these forms on time and for overstating the pension plan deduction.

Line 18

Employee benefit programs

Do not deduct on this line any payments for:

(1) Fringe benefits for any 2% shareholder. A "2% shareholder" means any person who owns on any day during the tax year more than 2% of the outstanding stock of the S corporation or stock possessing more than 2% of the total combined voting power of any stock of the corporation.

(2) Any payments deducted on line 17 for fringe benefit programs or retirement programs.

Enter amounts paid for fringe benefits on behalf of employees and shareholders owning 2% or less of the corporation's stock. These amounts are deductible by the corporation, but amounts paid on behalf of more than 2% shareholders are not deductible by the corporation and are reported separately on line 10 of Schedules K and K-1. See section 1372 for additional information.

Line 19

Other deductions

Enter any other authorized deductions related to any trade or business activity for which there is no line on page 1 of the return. Do not include those items requiring separate computations which must be reported separately on Schedules K and K-1.

Do not include qualified expenditures to which an election under section 59(e) applies. See instructions for line 20 of Schedule K-1 for details on treatment of these items.

Include on line 19 the deduction taken for amortization. See instructions for Form 4562 for more information.

In most cases, you may not take a deduction for any part of any item allocable to a class of exempt income. (See section 265 for exceptions.) Items directly attributable to wholly exempt income must be allocated to that income. Items directly attributable to any class of taxable income must be allocated to that taxable income.

If an item is indirectly attributable both to taxable income and to exempt income, allocate a reasonable proportion of the item to each, based on all the facts in each case.

Attach a statement showing (1) the amount of each class of exempt income and (2) the amount of expense items allocated to each such class. Show the amount allocated by apportionment separately.

Section 464(f) limits the deduction for certain expenditures of S corporations engaged in farming that use the cash method of accounting, and whose prepaid expenses for feed, seed, fertilizer, and other farm supplies, and the cost of poultry are more than 50% of other deductible farming expenses. Generally, any excess (amount over 50%) may be deducted only in the tax year the items are actually used or consumed. See section 464(f) for more information.

Note for travel, meal, and entertainment expenses. Generally, the amount the corporation is allowed as a deduction for meal and entertainment expenses is limited to 80% of the amount that would otherwise be allowable. The 80% limitation of section 274(n) is applied after determining the otherwise allowable deduction under section 162, which permits a deduction for ordinary and necessary expenses, and after other provisions of section 274, which disallows a deduction for certain entertainment expenses. Expenditures for meals or beverages are disallowed to the extent they are lavish or extravagant. See sections 274(k), (m), and (n) for exceptions.

Because of the phase-in provisions of section 274(l)(2), skybox rental expenses will generally have to be separately reported on line 10 of Schedule K. See the instructions for item e, line 10 of Schedule K for more details on skybox expenses.

Generally, no deduction is allowed under section 212 for fees, travel, and meals and lodging expenses incurred in connection with investment seminars or similar meetings.

Note: *The corporation cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (The corporation may be able to deduct the expenses if the amount is treated as compensation and reported on Form W-2 for an employee or on Form 1099-MISC for an independent contractor.) See* ***Publication 463****, Travel, Entertainment, and Gift Expenses, for more details.*

Do not deduct penalties imposed on the corporation such as those included in the General Instruction on **Interest and Penalties.**

Line 21

Ordinary income (loss)

This is nonseparately computed income or loss as defined in section 1366(a)(2) attributable to trade or business activities of the corporation. This income or loss is entered on line 1 of Schedule K.

Line 21 income is not used in figuring line 22a or 22b tax. See instructions for line 22a for figuring taxable income for purposes of line 22a or 22b tax.

Line 22

Line 22a.—If the corporation has always been an S corporation, the excess net passive income tax does not apply to the corporation. If the corporation has subchapter C earnings and profits (defined in section 1362(d)(3)(B)) at the close of its tax year, has passive investment income that is in excess of 25% of gross receipts, and has taxable income at year end, the corporation must pay a tax on the excess net passive income. Complete lines 1 through 3 and line 9 of the worksheet below to make this determination. If line 2 is greater than line 3 and the corporation has taxable income (see taxable income instruction below), it must pay the tax. Complete a separate schedule using the format of lines 1 through 11 of the worksheet below to figure the tax. Enter the tax on line 22a, page 1, Form 1120S, and attach the computation schedule to Form 1120S.

Reduce each item of passive income passed through to shareholders by its portion of tax on line 22a. See section 1366(f)(3).

Taxable income (line 9 of the worksheet)

Line 9 income is defined in section 1374(d). You figure this income by completing lines 1 through 28 of **Form 1120**, U.S. Corporation Income Tax Return. Include the Form 1120 computation with the worksheet computation you attach to Form 1120S. You do not have to attach the schedules, etc., called for on Form 1120. However, you may want to complete certain Form 1120 schedules, such as Schedule D (Form 1120), if you have capital gains or losses.

Line 22b.—If the corporation made its election to be an S corporation before January 1, 1987, and its net capital gain, line 10, Schedule D (Form 1120S), is $25,000 or less, the corporation is not liable for capital gains tax. If the net capital gain is more than $25,000, see instructions for Part IV of Schedule D (Form 1120S) to determine if the corporation is liable for the Part IV Tax Imposed on Certain Capital Gains.

If the corporation made its election to be an S corporation after December 31, 1986, see the instructions for Part V of Schedule D to determine if the corporation is liable for the Part V Tax Imposed on Certain Built-In Gains.

Note: *For purposes of line 11 of Part IV and line 19 of Part V of Schedule D, taxable income is determined in section 1375(b)(1)(B) and is generally figured in the same manner as taxable income for line 9 of the worksheet for line 22a of Form 1120S.*

Line 22c.—Include in the total for line 22c the following.

Section 47 Recapture Tax.—Section 1371(d) provides that an S corporation is liable for investment credit recapture attributable to credits allowed for tax years for which the corporation was not an S corporation.

Include the corporation's section 47 recapture tax in the total amount to be entered on line 22c. Write to the left of the line 22c total the amount of recapture tax and the words "section 47 tax," and attach **Form 4255**, Recapture of Investment Credit, to Form 1120S.

Worksheet for Line 22a

1. Enter gross receipts for the tax year (see section 1362(d)(3)(C) for gross receipts from the sale of capital assets)*		4. Excess passive investment income—Subtract line 3 from line 2	
2. Enter passive investment income as defined in section 1362(d)(3)(D)*		5. Enter expenses directly connected with the production of income on line 2 (see section 1375(b)(2))*	
3. Enter 25% of line 1 (If line 2 is less than line 3, stop here. You are not liable for this tax.)		6. Net passive income—Subtract line 5 from line 2	
		7. Divide amount on line 4 by amount on line 2	%
		8. Excess net passive income—Multiply line 6 by line 7	
		9. Enter taxable income (see instructions for taxable income above)	
		10. Enter smaller of line 8 or 9	
		11. Excess net passive income tax—Enter 34% of line 10. Enter here and on line 22a, page 1, Form 1120S	

*Income and expenses on lines 1, 2, and 5 are from total operations for the tax year. This includes applicable income and expenses from page 1, Form 1120S, as well as those that are reported separately on Schedule K. See sections 1362(d)(3)(D) and 1375(b)(4) for exceptions regarding lines 2 and 5.

LIFO Recapture Tax.—The corporation may be liable for section 1363(f) recapture of LIFO benefits. If the corporation made its election to be an S corporation after December 17, 1987, and used the LIFO inventory pricing method for its last tax year before its S election became effective, the corporation may be liable for LIFO recapture.

The LIFO recapture tax is figured for the last tax year the corporation was a C corporation. See the instructions for Form 1120/1120A for details. The LIFO tax is paid in 4 equal installments. The first installment is due with the corporation's Form 1120 (1120A) for the corporation's last tax year as a C corporation, and the 3 remaining deferral installments are paid with the corporation's Form 1120S for the 3 succeeding tax years. Include each year's installment in the total amount to be entered in line 22c, page 1, Form 1120S. Write to the left of the total on line 22c the installment amount and the words "LIFO tax".

Line 23

Line 23a.—Enter total tax deposited with Form 7004.

If the corporation elects to claim the overpaid windfall profit tax (overpayment) for its shareholders, it will complete Form 6249 and include the overpayment from Part IV of Form 6249 as a part of the total entered on line 23a. Also, write to the left of the line 23a total the amount of the overpayment and "OWPT." **Note:** *The windfall profit tax does not apply to crude oil removed after August 22, 1988.*

Line 23c.—If the S corporation is a beneficiary of a trust and the trust makes a section 643(g) election to credit its estimated tax overpayments to its beneficiaries, include the corporation's share of the overpayment (reported to the corporation on Schedule K-1 (Form 1041)) in the total amount entered in line 23c. Also write to the left of the line 23c total the amount of the overpayment and the words "section 643(g) election".

Schedule A

Cost of Goods Sold and/or Operations

Cost of Operations

If the entry on line 2, page 1, Form 1120S, is for the cost of operations, complete Schedule A, even if inventories are not used.

Inventory valuation methods

Your inventories can be valued at: (a) cost, (b) cost or market value (whichever is lower), or (c) any other method approved by the Commissioner if that method conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. To make this change, file Form 3115. For more information, see Regulations section 1.446-1(e)(3) and Rev. Proc. 84-74, 1984-2 C.B. 738.

In line 8a, check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions when there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For additional requirements, see Regulations section 1.471-4.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are "subnormal" (that is because of damage, imperfections, shop wear, etc.) within the meaning of Regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price less direct cost of disposition (but not less than scrap value) when the taxpayer can establish such a price. See Regulations section 1.471-2(c) for additional requirements.

If this is the first year the "last-in-first-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method, as provided in section 472, attach **Form 970,** Application To Use LIFO Inventory Method, or a statement showing the information required by Form 970, with Form 1120S and check the LIFO box in line 8b. In line 8c, enter the amount or percent (estimates may be used) of total closing inventories covered under section 472.

If you have changed or extended your inventory method to LIFO and have had to "write up" your opening inventory to cost in the year of election, report the effect of this writeup as income (line 5, page 1) proportionately over a 3-year period that begins in the tax year you made this election. (See section 472(d).)

Section 263A Uniform Capitalization Rules.—The uniform capitalization rules of section 263A are discussed in general in the instructions for **Limitations on deductions** at the beginning of the specific instructions for lines 7–19. See those instructions before completing Schedule A.

Also see Notice 88-86, 1988-34 IRB 10, and Notice 88-99, 1988-36, IRB 29, for more information on section 263A uniform capitalization rules.

Line 4a.—An entry is required on this line only for corporations electing a simplified method of accounting. For corporations electing the simplified production method, additional section 263A costs are generally those costs, other than interest, that were not capitalized or included in inventory costs under the corporation's method of accounting immediately prior to the effective date in Temporary Regulations section 1.263A-1T that are now required to be capitalized under section 263A. For corporations electing the simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories: off-site storage or warehousing; purchasing; handling, processing, assembly and repackaging; and general and administrative costs (mixed service costs). Enter on line 4a the balance of section 263A costs paid or incurred during the tax year not included on lines 2 and 3. See Temporary Regulations section 1.263A-1T for more information.

Line 4b.—Enter any other inventoriable costs paid or incurred during the tax year not entered on lines 2 through 4a.

Line 6.—See Temporary Regulations section 1.263A-1T for details on figuring the amount of additional section 263A costs to be capitalized and added to ending inventory.

Additional Information

Be sure to answer the questions and provide other information in items I through R.

Question L

Foreign financial accounts

Check the Yes box if either **item 1** or **2** below applies to you. Otherwise, check the No box.

1. At any time during the year, the corporation had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). **Exception:** Check No if either of the following applies to you:

- The combined value of the accounts was $10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

2. The corporation owns more than 50% of the stock in any corporation that would answer the question "Yes" based on item 1 above.

Get form **TD F 90-22.1,** Report of Foreign Bank and Financial Accounts, to see if the corporation is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If question L is checked Yes, file form TD F 90-22.1 by June 30, 1989, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not file it with Form 1120S.

Form TD F 90-22.1 can be obtained from IRS Forms Distribution Centers.

Also, if question L is checked Yes, write the name of the foreign country or countries. Attach a separate sheet if you need more space.

Item R.—Complete item R if the corporation: (1) filed its election to be an S corporation after December 31, 1986; (2) was a C corporation before it elected to be an S corporation; and (3) has net unrealized built-in gain (defined in section 1374(d)(1)) at the beginning of its tax year.

The corporation is liable for section 1374 tax if (1), (2), and (3) above apply and it has net recognized built-in gains (section 1374(d)(2)) for its tax year.

Section 633(d)(8) of the Tax Reform Act of 1986 provides transition relief from the built-in gains tax for certain assets. However, the relief rule **does not apply** to assets whose disposition results in ordinary income and to capital assets held 6 months or less. See the instructions for Part V of Schedule D (Form 1120S) and Revenue Ruling 86-141, 1986-2 C.B. 151, for more information.

The corporation's net unrealized built-in gain is figured as of the 1st day of the 1st year it is an S corporation. See the instructions for Part V of Schedule D (Form 1120S) for details on figuring the gain. Enter in item R the corporation's net unrealized built-in gain at the beginning of the tax year. This is the net unrealized built-in gain reduced by prior year's net recognized built-in gain. See section 1374(c)(2) and (d)(1).

Schedule K and Schedule K-1

Shareholder's Share of Income, Credits, Deductions, Etc.

Purpose

Schedule K is a summary schedule of all the shareholders' share of the corporation's income, deductions, credits, etc. Schedule K-1 shows each shareholder's separate share. A copy of each shareholder's K-1 is attached to the Form 1120S filed with the IRS. A copy is kept as a part of the corporation's records, and the corporation gives each shareholder a separate copy.

Be sure to give each shareholder a copy of the Shareholder's Instructions for Schedule K-1 (Form 1120S). These instructions are available, separately from Schedule K-1, at most IRS offices.

Note: *Instructions pertinent only to line items reported on Schedule K-1 may be prepared and given to each shareholder in lieu of the instructions printed by IRS.*

General Instructions

The corporation is liable for taxes on lines 22a, b, and c, page 1, Form 1120S. Shareholders are liable for income tax on their share of the corporation's income (reduced by any taxes paid by the corporation on income) and must include their share of the income on their tax return whether or not it is distributed to them. Unlike partnership income, S corporation income reported to shareholders on Schedule K-1 is **not** self-employment income and is not subject to self-employment tax.

The total distributive share items (column (b)) of all Schedules K-1 should equal the amount reported on the same line of Schedule K. Lines 1 through 16 of Schedule K correspond to lines 1 through 16 of Schedule K-1. Other lines do not correspond, but instructions will explain the differences.

Substitute Forms

You **do not** need IRS approval to use a substitute Schedule K-1 if it is an exact facsimile of the IRS schedule, **or** if it contains only those lines the taxpayer is required to use, and the lines have the same numbers and titles and are in the same order as on the comparable IRS Schedule K-1. In either case, your substitute schedule must include the OMB number, and either (1) the Shareholder's Instructions for Schedule K-1 (Form 1120S) or (2) instructions pertinent only to the items reported on Schedule K-1 (Form 1120S).

Other substitute Schedules K-1 require approval. You may apply for approval of a substitute form by writing to: Internal Revenue Service, Attention: Substitute Forms Program Coordinator, TR:R:R, 1111 Constitution Avenue, NW, Washington, DC 20224.

You may be subject to a penalty if you file a substitute Schedule K-1 that does not conform to the specifications of Rev. Proc. 88-7, I.R.B. 1988-3, dated January 19, 1988.

Shareholder's Distributive Share Items

Items of income, loss, deductions, etc., are allocated to a shareholder on a daily basis, according to the number of shares of stock held by the shareholder on each day during the tax year of the corporation. See item A in the **Line-by-Line Instructions.**

A transferee shareholder (rather than the transferor) is considered to be the owner of stock on the day it is transferred.

Special rule—If a shareholder terminates his or her interest in a corporation during the tax year, the corporation, with the concurrence of all shareholders (including the one whose interest is terminated), may elect to allocate income and expenses, etc. as if the corporation's tax year consisted of 2 tax years, the first of which ends on the date of the shareholder's termination. To make the election, the corporation must file a statement of election with the return for the tax year of election and attach a statement of consent signed by all shareholders. If the election is made, write "Section 1377(a)(2) Election Made" at the top of each Schedule K-1. See section 1377(a)(2) and Temporary Regulations section 18.1377-1 for details.

Specific Instructions

(Schedule K only)

Enter the total distributive amount for each applicable line item on Schedule K.

(Schedule K-1 only)

On each Schedule K-1: complete the date spaces at the top; enter the names, addresses, and identifying numbers of the shareholder and corporation; complete items A through E; and enter the shareholder's distributive share of each item. Schedule K-1 must be prepared and given to each shareholder on or before the day on which Form 1120S is filed.

Note: *Space has been provided on line 20 (Supplemental Schedules) of Schedule K-1 for you to provide information to shareholders. This space, if sufficient, should be used in place of any applicable schedules required for any lines on Schedule K-1, or other amounts not shown in lines 1 through 19 of Schedule K-1. Please be sure to identify the applicable line number next to the information entered below line 20.*

Line-by-Line Instructions

Item A (Schedule K-1 only).—If there was no change in shareholders or in the relative interest in stock the shareholders owned during the tax year, enter the percentage of total stock owned by each shareholder during the tax year. For example, if shareholders X and Y each owned 50% for the entire tax year, enter 50% in item A for each shareholder. Each shareholder's distributive share items (lines 1–20 of Schedule K-1) are figured by multiplying the Schedule K amount on the corresponding line of Schedule K by the percentage in A.

If there was a change in stock ownership during the tax year, each shareholder's percentage of ownership is weighted for the number of days in the tax year that stock was owned. For example, A and B each held 50% for half the tax year and A, B, and C held 40%, 40%, and 20%, respectively, for the remaining half of the tax year. The percentage of ownership for the year for A, B, and C is figured as follows and is then entered in item A.

	a	b	c (a × b)	
	% of total stock owned	% of tax year held	% of ownership for the year	
A	50% 40	50% 50	25% + 20	45%
B	50 40	50 50	25 + 20	45%
C	20	50	10	10%
Total				100%

If there was a change in stock ownership during the tax year, each shareholder's distributive share items (lines 1–20 of Schedule K-1) can also be figured on a daily basis, based on the percentage of stock held by the shareholder on each day. See sections 1377(a)(1) and (2) for details.

Item B (Schedule K-1 only).—Enter the Internal Revenue Service Center address where the tax return, to which a copy of this K-1 was attached, was or will be filed.

Item C (Schedule K-1 only).—Enter the tax shelter registration number assigned to the corporation by IRS or provided to the corporation by other pass through entities.

Special reporting requirements for corporations with multiple activities.—If items of income, loss, deduction, or credit from more than one activity (determined for purpose of the passive activity loss and credit limitations) are reported on line 1, 2, or 3 of Schedule K-1, the corporation must provide information for each activity to its shareholders. See **Passive Activity Reporting Requirements** under **Passive Activity Limitations** at the end of the General Instructions for details on the reporting requirements.

Special reporting requirements for at-risk activities.—If the corporation is involved in one or more at-risk activities for which a loss is reported on Schedule K-1, the corporation must report information separately for each at-risk activity. See section 465(c) for a definition of at-risk activities. The information is reported in the Supplemental Schedules space for line 20 of Schedule K-1, or on an attachment to Schedule K-1 if more space is needed.

The following information must be shown:

1. A statement that the information is a breakdown of at-risk activity loss amount(s).

2. The identity of the at-risk activity, the loss amount for the activity, other income, deductions, and other information that relates to the activity.

3. Information relating to qualified nonrecourse financing for an activity of holding real property. For losses after 1986, the at-risk rules were extended to cover losses incurred in the holding of real property. Section 465(b)(6) provides that qualified nonrecourse financing is treated as amounts at-risk in the case of activities of holding real property. See Publication 925 and section 465 for more information on qualified nonrecourse financing.

Items D and E (Schedule K-1 only)

Items D and E.—Section 469(l) provides for a phase-in of the disallowance of losses and credits for passive activities. However, the phase-in provisions only apply to losses and credits attributable to pre-enactment interests. Generally, a pre-enactment interest is a qualified interest in a pre-enactment activity. A "qualified interest" means stock in the corporation held on **October 22, 1986, and at all times thereafter.** However, stock acquired after October 22, 1986, pursuant to a binding written contract in effect on October 22, 1986, is considered acquired on that date.

Except as stated above, ownership interest attributable to stock acquired after October 22, 1986, is not pre-enactment interest. Accordingly, passive activity losses and credits attributable to ownership interest acquired after October 22, 1986, do not qualify for the phase-in provisions.

A "pre-enactment activity" is generally an activity that was conducted by the corporation on October 22, 1986. However, a pre-enactment activity also includes an activity that was acquired or constructed pursuant to a written binding contract in effect on August 16, 1986.

Item D.—Enter in item D the shareholder's weighted percentage increase in stock ownership for the 1988 tax year. Generally, a shareholder has a percentage increase in ownership if his or her stock ownership at any time during the corporation's 1988 tax year was greater than the percentage of ownership held by the shareholder on **October 22, 1986, and all times thereafter.** If a shareholder disposes of stock after October 22, 1986, and the percentage of ownership immediately after the disposition is less than that owned on October 22, 1986, this lesser percentage is considered to be the percentage owned on October 22, 1986. For example, in the case of a calendar year corporation, if shareholder Z had 40% ownership on October 22, 1986, and later disposed of stock on December 1, 1986, which resulted in a 20% ownership immediately afterwards, then any additional ownership in 1988 that is above 20% would result in a percentage increase for Z for 1988.

Any percentage increase is weighted for the number of days in 1988 the increased percentage is held. In the case of Z above, if the 20% owned after December 1, 1986, was increased to 50% for the last 6 months of the corporation's 1988 tax year, the 30% increase (50% less 20% = 30%) is weighted by 50% (6 months of tax year = 50%). The weighted percentage increase for item D would be 15% (30% × 50% = 15%).

Note: *A shareholder does not have to acquire stock in the corporation's 1988 tax year to have a percentage increase for 1988. For example, if stock acquired by shareholder Z in 1987, causes Z's percentage of ownership after the acquisition to be greater than on October 22, 1986, and Z's 1987 increased ownership is held during any part of 1988, then Z will have a percentage increase for 1988, and item D of Schedule K-1 should be completed. The percentage increase is weighted for the number of days in 1988 the stock is held.*

Item E.—Check the box in item E if any line 1, 2, or 3 activity was **not** a pre-enactment activity (as defined above). Also, if item E is checked, enter the date or startup or acquisition in the date space on line 1, 2, or 3 (or on an attached schedule if income or loss from more than one activity is reported on line 1, 2, or 3). Unless an activity is a pre-enactment activity, the benefits of the phase-in provisions are not allowed regardless of when the shareholder acquires his or her stock. See regulations section 1.469-11T for other details.

Lines 1 through 16 (Schedules K and K-1 unless otherwise noted)

Line 1, Ordinary Income (Loss) From Trade or Business Activity(ies).—Enter amount from line 21, page 1. Enter the income or loss without reference to (1) shareholders' basis in the corporation (section 1366(d)), (2) shareholders' section 465 at-risk limitations, or (3) shareholders' section 469 passive activity limitations. These limitations, if applicable, are determined at the shareholder level.

If the corporation is involved in more than one trade or business activity, see **Passive Activity Reporting Requirements** in the General Instructions for details on the information to be reported for each activity. The information for each activity may be reported in the line 20 Supplemental Schedules space, or on an attachment. If an at-risk activity loss is reported on line 1, see the **Special reporting requirements for at-risk activities** in the Specific Instructions for Schedules K and K-1.

Date Space (line 1, Schedule K-1).—If item E is checked, and a trade or business activity was started after October 22, 1986, enter the date (month, day, year) specified in item E.

Line 2, Income and Expenses of Rental Real Estate Activities.—Enter on lines 2a and 2b of Schedule K (line 2 of Schedule K-1) the income and expenses of rental real estate activities of the corporation.

If the corporation has income or loss from more than one rental real estate activity reported on line 3, see **Passive Activity Reporting Requirements** in the General Instructions for details on the information to be reported for each activity. The information for each activity may be reported in the line 20 Supplemental Schedules space, or on an attachment. If an at-risk activity loss is reported on line 2, see the **Special reporting requirements for at-risk activities** in the Specific Instructions for Schedules K and K-1.

Do not report on lines 2a and 2b (for shareholders that are qualified investors) the income and expenses of certain qualified low-income housing projects for which losses are incurred. These losses are exempt from the passive activity limitations under section 502 of the Tax Reform Act of 1986. Report such loss(es) on line 6 of Schedule K-1 and attach a statement identifying the loss. See section 502 for definitions and other information on qualified low-income housing projects.

Note: *If a qualified project has a gain, report the income and expenses for the gain on line 2. Also, report income and expenses for shareholders that are nonqualified investors on line 2.*

Date Space (lines 2 and 3).— If item E is checked and a rental activity was started or acquired after October 22, 1986, enter the date (month, day, year) specified in item E.

Line 3, Income and Expenses of Other Rental Activities.—Enter on lines 3a and 3b of Schedule K (line 3 of Schedule K-1) the income and expenses of rental activities other than the income and expenses reported on lines 2a and 2b (or line 6 as explained in the line 2 instructions above). If the corporation has more than one rental activity reported on line 3, see **Passive Activity Reporting Requirements** in the General Instructions for details on the information to be reported for each activity. The information for each activity may be reported in the line 20 Supplemental Schedules space, or on an attachment. If an at-risk activity loss is reported on line 3, see the **Special reporting requirements for at-risk activities.** Also see **Rental activities other than rental real estate activities** under **Passive Activity Limitations** in the General Instructions for a definition and other details on other rental activities.

Lines 4a through 4f, Portfolio Income (Loss).—Enter portfolio income (loss) on lines 4a through 4f. See **Portfolio Income** under **Passive Activity Limitations** in the General Instructions and Publication 925 for a definition of portfolio income. Do not reduce portfolio income by expenses allocated to it. Such expenses (other than interest expense) are reported on line 9 of Schedules K and K-1. Interest expense allocable to portfolio income is generally investment interest expense and is reported on line 13 of Schedules K and K-1.

Lines 4a and 4b.—Enter only taxable interest and dividends that are portfolio income. Interest income derived in the ordinary course of the corporation's trade or business, such as interest charged on receivable balances, is reported on line 5, page 1, Form 1120S. See regulations section 1.469-2T(c)(3).

Lines 4d and 4e.—Enter on line 4d the net short-term capital gain or loss (reduced by any applicable taxes) from line 4 of Schedule D (Form 1120S) that is portfolio income. Enter on line 4e the net long-term capital gain or loss (reduced by any applicable taxes) from line 7 of Schedule D (Form 1120S) that is portfolio income. If any income or loss from lines 4 and 7 of Schedule D is not portfolio income (i.e, transactions on Schedule D result in income or loss that is attributable to the corporation's normal trade or business), do not report this income or loss on lines 4d and 4e. Instead, report it on line 6 of Schedules K and K-1. If the income or loss is attributable to more than one activity, report the income or loss amount separately for each activity in the line 20 Supplemental Schedules space of Schedule K-1 and identify the activity to which the income or loss relates.

Line 4f.—Enter any other portfolio income not reported on lines 4a through 4e.

If the corporation holds a residual interest in a REMIC, report on an attachment for line 4f (or in the Supplemental Schedules space for line 20 of Schedule K-1) each shareholder's share of taxable income (net loss) from the REMIC (line 1b of Schedule Q

(Form 1066)), excess inclusion (line 2c of Schedule Q (Form 1066)), and section 212 expenses (line 3b of Schedule Q (Form 1066)). Because Schedule Q (Form 1066) is a quarterly statement, the corporation must follow the Schedule Q (Form 1066) Instructions for Residual Holder to figure the amounts to report to shareholders for the corporation's tax year.

Line 5.—Enter gain (loss) under section 1231. Do not include net gains or losses from involuntary conversions due to casualties or thefts on this line. Instead, report them on line 6.

Line 6.—Enter any other item of income or loss not included on lines 1–5, such as:

a. Wagering gains and losses (section 165(d)).

b. Recovery of tax benefit items (section 111).

c. Any gain or loss where the corporation was a trader or dealer in section 1256 contracts or property related to such contracts. See section 1256(f).

d. Net gain (loss) from involuntary conversions due to casualty or theft.

e. Loss(es) from qualified low-income housing projects for shareholders that are qualified investors.

Line 7.—Enter the amount of charitable contributions paid by the corporation during its tax year. Attach an itemized list that separately shows the corporation's charitable contributions subject to the 50%, 30%, and 20% limitations.

If the corporation contributes property other than cash and the aggregate amount of the claimed value exceeds $500, **Form 8283,** Noncash Charitable Contributions, must be completed and attached to Form 1120S. The corporation must give a copy of its Form 8283 to every shareholder if the value of an item or group of similar items of contributed property exceeds $5,000 even though the amount allocated to each shareholder is $5,000 or less. For property that does not meet the $5,000 filing requirement, the corporation does not have to furnish the shareholders with its Form 8283. However, the corporation must provide shareholders with their share of fair market value for property valued between $500 and $5,000 in order for individual shareholders to complete their own Form 8283. See the Instructions for Form 8283 for more information.

If the corporation made a qualified conservation contribution under section 170(h), also include the fair market value of the underlying property before and after the donation, as well as the type of legal interest contributed, and describe the conservation purpose furthered by the donation. Give a copy of this information to each shareholder.

Line 8.—An S corporation may elect under section 179 to expense part of the cost of recovery property that is section 38 property (defined in section 48(a)) that the corporation purchased this year for use in its trade or business or rental activities. Complete Section A of Part I of Form 4562 to figure the corporation's section 179 expense. The corporation does not deduct the expense itself but passes the expense through to its shareholders. Show the total section 179 expense on line 8 of Schedule K and attach Form 4562 to Form 1120S. The limitations of Section A, Part I, of Form 4562 apply separately to the S corporation and to its shareholders.

Report each individual shareholder's pro rata share of the total expense on line 8 of Schedule K-1. Do not complete line 8 of Schedule K-1 for shareholders that are estates or trusts. In addition, show in the Supplemental Schedules space for line 20 of Schedule K-1 (or on an attached statement if more space is needed) the following information:

1. Each shareholder's share of each item of information on lines 1 through 5 of Section A, Part I, of the Form 4562 the corporation completed. Shareholders use this information, with information from other sources, to complete their Form 4562.

2. If the shareholder's section 179 expense is attributable to more than one activity, identify the activity(ies) and any section 179 property associated with the activity(ies).

The section 179 expense is limited to $10,000. Certain other limitations also apply. See the instructions for Form 4562 for more information. If recapture of the section 179 expense is required, report the necessary information on line 17 of Schedule K and line 20 of Schedule K-1. Each shareholder makes the section 179 recapture on his or her individual tax return if the section 179 expense was claimed in a prior year.

Depreciation, amortization, or investment credit may not be taken on any amount for which a deduction is allowed under section 179.

Line 9, Deductions Related to Portfolio Income.—Enter on line 9 the expenses allocable to portfolio income other than interest expense. Generally, these expenses are section 212 expenses and are subject to section 212 limitations at the shareholder level. Generally, interest expense related to portfolio income is investment interest expense and is reported on line 13a of Schedules K and K-1.

Note: *Section 274(h)(7) provides that no deduction is allowed under section 212 for expenses allocable to a convention, seminar, or similar meeting. Because these expenses are not deductible by shareholders, the corporation does not report these expenses on line 9 or line 10. The expenses are nondeductible and are reported as such on a schedule for line 17 of Schedule K and on line 20 of Schedule K-1 for each shareholder.*

Line 10, Other Deductions.—Enter any other deductions not included on lines 7, 8, and 9, such as:

a. Amounts (other than investment interest required to be reported on line 13a of Schedules K and K-1) paid by the corporation that would be itemized deductions on any of the shareholder's income tax returns if they were paid directly by a shareholder for the same purpose. These amounts include, but are not limited to, expenses under section 212 for the production of income other than from the corporation's trade or business.

b. Any penalty on early withdrawal of savings (other than reported on line 9) because the corporation withdrew funds from its time savings deposit before its maturity.

c. Soil and water conservation expenditures (section 175).

d. Expenditures paid or incurred for the removal of architectural and transportation barriers to the elderly and handicapped which the corporation has elected to treat as a current expense. Do not deduct these expenditures on page 1 of Form 1120S. See section 190.

e. Skybox or other private luxury box seat rental expenses subject to limitations under section 274(l)(2). If the corporation leases a skybox or other private luxury box for more than one event, the rental expenses are limited under section 274(l)(2)(A) to the face value of nonluxury seat tickets generally held for sale to the public, multiplied by the number of seats in such box. The amount disallowed under section 274(l)(2)(A) is phased in over a 3-year period as provided by section 274(l)(2)(B). The 80% limitation of section 274(n) then applies to the amount allowed after the limitations of section 274(l)(2)(A), and also to the phase-in amount allowed under section 274(l)(2)(B).

Because the phase-in rule is controlled by the shareholder's tax year, rather than the corporation's tax year, the section 274(l)(2) expenses are separately reported to shareholders. Unless the corporation knows the beginning date of a shareholder's tax year, the attachment for line 10 must show each shareholder's share of the deductible amount under tax law provisions effective for tax years beginning in 1988 and for tax years beginning in 1989. If a shareholder's tax year is known, it is only necessary to report the deductible amount for the shareholder's specific tax year.

f. If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income producing purposes, provide each shareholder with the needed information to complete **Form 4684,** Casualties and Thefts.

g. Fringe benefit expenditures for more than 2% shareholders. See the instructions for line 18, page 1, of Form 1120S for details on section 1372 fringe benefit expenditures to be separately reported.

Credits

Note: *If the corporation has credits from more than one trade or business activity on line 11a or 12, and more than one rental activity on line 11b, 11c, 11d, or 11e, it must report separately in the line 20 Supplemental Schedules space of Schedule K-1, or on an attachment if more space is needed, the amount of each credit and provide any other applicable activity information listed in* ***Passive Activity Reporting Requirements*** *under the General Instructions for* ***Passive Activity Limitations.***

Line 11a.—Enter on line 11a of Schedule K the jobs credit computed by the corporation that is attributable to a trade or business activity. Enter on line 11d or 11e, the jobs credit attributable to rental activities. The jobs credit is figured on Form 5884 and the form(s) is attached to Form 1120S.

Enter each shareholder's share of the jobs credit on lines 11a, 11d, or 11e of Schedule K-1.

Line 11b.— Section 42 provides for a low-income housing credit that may be claimed by owners of low-income residential rental buildings. The credit is generally for buildings placed in service after 1986. If shareholders are eligible to claim the low-income housing credit, complete the applicable parts of **Form 8586,** Low-Income Housing Credit, and attach it to Form 1120S. Enter the credit figured by the corporation on Form 8586, and any low-income housing credit received from other entities in which the corporation is allowed to invest, on 11b(1) or 11b(2) as explained below. The corporation must also complete and attach **Form 8609,** Low-Income Housing Credit Allocation Certification, to Form 1120S. See the Instructions for Form 8586 and Form 8609 for information on completing these forms. **Note:** No credit can be claimed with respect to any building in a qualified low-income housing project for which any person was allowed to claim a loss from the project by reason of not being subject to the passive activity limitations of section 469 (see section 502 of the Tax Reform Act of 1986 for details).

Line 11b(1).—If the corporation invested in a partnership to which the provisions of section 42(j)(5) apply, report on line 11b(1) the low-income housing credit the section 42(j)(5) partnership reported to the corporation on line 12b(1) of the 1988 Schedule K-1 (Form 1065).

Line 11b(2).—Report on line 11b(2) any low-income housing credit not reported on line 11b(1). This would include credits related to any building in a project the corporation itself owned, or credits received from a partnership that was reported to the corporation on line 12b(2) of the 1988 Schedule K-1 (Form 1065).

Line 11c.—Enter total qualified rehabilitation expenditures related to rental real estate activities of the corporation, and for line 11c of Schedule K, complete the applicable lines of Form 3468 that apply to qualified rehabilitation expenditures for property related to rental real estate activities of the corporation for which income or loss is reported on line 2c of Schedule K. See Form 3468 for details on qualified rehabilitation expenditures. Attach Form 3468 to Form 1120S.

For line 11c of Schedule K-1 report the expenditures and show in the Supplemental Schedules space for line 20 of Schedule K-1, or on an attached statement if more space is needed, a listing of the shareholder's pro rata share of the corporation's qualified rehabilitation expenditures for property related to rental real estate activities for which income or loss is reported on line 2 of Schedule K-1.

Note: *Qualified rehabilitation expenditures for property that is* ***not*** *related to rental real estate activities must be listed separately for line 11e or for line 12 of Schedule K-1.*

Line 11d.—Show on line 11d of Schedule K, or list separately on an attached statement if more than one credit is involved, all other credits (other than credits on lines 11b or 11c) related to rental real estate activities.

Show on line 11d of Schedule K-1, or list separately in the Supplemental Schedules space for line 20 of Schedule K-1 if more than one credit is involved, the shareholder's distributive share of all other credits (other than credits on lines 11b or 11c) related to rental real estate activities. These credits may include any type of credit listed in the line 12 instruction.

Line 11e.—Enter any credit related to other rental activities for which income or loss is reported on line 3 of Schedules K and K-1.

Line 12.—Show on line 12 of Schedule K, or list separately if more than one credit is involved, all other credits (other than credits or expenditures shown or listed for lines 11a through 11e of Schedule K attached to Form 1120S). Show on line 12 of Schedule K-1, or in the Supplemental Schedules space for line 20 if more than one credit is reported, each shareholder's distributive share of all other credits (other than credits or expenditures shown or listed for lines 11a through 11e of Schedule K-1). See the listing below for types of credits or other information that could be reported.

a. The following credits are also figured at the corporate level and then apportioned to persons who are shareholders of the corporation in accordance with stock ownership:

- Credit for alcohol used as fuel. Complete and attach **Form 6478**, Credit for Alcohol Used as Fuel, to Form 1120S.
- Credit for increasing research activities. Complete and attach **Form 6765,** Credit for Increasing Research Activities (or for claiming the orphan drug credit), to Form 1120S.
- Nonconventional source fuel credit.
- Unused regular investment credit from cooperatives.
- Unused energy investment credit from cooperatives.
- Credit for backup withholding on dividends, interest, or patronage dividends.

The nonconventional source fuel credit is figured by the corporation on a separate schedule prepared by the corporation. This computation schedule must also be attached to Form 1120S. See section 29 for computation provisions and other special rules for figuring this credit.

If the corporation is a member of a cooperative that passes an unused regular investment credit or unused energy investment credit through to its members, these credits are in turn passed through to the corporation's shareholders.

If the corporation has only one of the above 6 credits, enter the amount of the credit in the amount column of line 12 and identify the type of credit and the activity to which it relates in the space to the left of the amount. If the corporation has more than one credit, enter the total credits on line 12 and list the amounts of the credits on an attachment for line 12 of Schedule K. List each shareholder's share of each credit in the line 20 Supplemental Schedules space of Schedule K-1, or on an attachment if more space is needed.

b. Credits which are figured by the shareholder rather than the S corporation include:

- Regular and energy investment tax credit.— Complete the applicable parts of Form 3468 for property that continues to qualify for the regular investment credit and the energy investment credit. Attach Form 3468 to Form 1120S. See Form 3468 and related instructions for information on eligible property. Do not include that part of the cost of property the corporation has elected to expense under section 179.

Also, the corporation must reduce the basis of regular and energy credit property by any credit allowable for the property. See section 48(q) and **Publication 572,** General Business Credit, regarding adjustments to be made to the basis of investment credit property as well as to the shareholders' adjusted basis in stock of the corporation.

Show in the line 20 Supplemental Schedules space of Schedule K-1, or on an attached schedule if more space is needed, each shareholder's share of the corporation's investment in regular investment credit or energy credit property. Indicate the lines of Form 3468 on which the shareholder should report each property. Also, identify the activity and the income or loss reported on Schedule K-1 for the activity.

Investment Interest

Lines 13a and 13b

Lines 13a and 13b must be completed whether or not a shareholder is subject to the investment interest rules.

Line 13a. Investment Interest Expense.— Include on this line the interest properly allocable to debt on property held for investment purposes. Property held for investment includes property that produces investment income (interest, dividends, annuities, royalties, etc.).

Investment interest **does not** include interest expense allocable to a passive activity. A passive activity is a trade or business activity in which the shareholder does not materially participate or a rental activity.

Report investment interest expense only on line 13a of Schedules K and K-1. Do not report it on any other line of Schedules K and K-1 or on page 1 of Form 1120S.

The amount on line 13a will be deducted by individual shareholders on Form 1040 after applying the investment interest expense limitations of section 163(d). The section 163(d) limitations are figured on **Form 4952,** Investment Interest Expense Deduction.

Enter the total investment income reported on lines 4a through 4f of Schedule K on line 13b(1). Enter on line 13b(2) the total expenses related to investment income included on line 9 of Schedule K. Shareholders use their share of the lines 13b(1) and (2) amounts to complete certain lines on Form 4952. See the instructions for Form 4952 for more information.

Tax Preference and Adjustment Items

Lines 14a through 14f.—Enter items of income and deductions that are tax preference or adjustment items. See **Form 6251**, Alternative Minimum Tax—Individuals, and **Publication 909**, Alternative Minimum Tax, to determine the amounts to enter and for other information.

Do not include as a tax preference item any qualified expenditures to which an election under section 59(e) may apply. Because these expenditures are subject to an election by each shareholder, the corporation cannot compute the amount of any tax preference related to them. Instead, the corporation must pass through to each shareholder the information needed to compute the deduction. Each shareholder computes both the deduction he or she will claim and the resulting tax preference item, if any.

Lines 14a and 14b.—Figure the preference items for lines 14a and 14b based only on property placed in service before 1987.

Line 14c.—Figure the adjustment item for line 14c based only on property placed in service after December 31, 1986 (and property placed in service after 7-31-86 and before 1-1-87 for which the corporation elected to use depreciation methods applicable to property placed in service after 1986).

Refigure depreciation as follows: For property other than real property and property on which the straight line method was used, use the 150 percent declining balance method, switching to straight line for the 1st tax year when that method gives a better result. Use the class life (instead of the recovery period) and the same conventions as you used on Form 4562. For personal property having no class life, use 12 years. For residential rental and nonresidential real property, use the straight line method over 40 years. Determine the depreciation adjustment by subtracting the recomputed depreciation from the depreciation claimed on Form 4562. If the recomputed depreciation exceeds the depreciation claimed on Form 4562, enter the differene as a negative amount. See the instructions for Form 6251 and Form 4562 for more information.

Line 14d.—Do not include any depletion on oil and gas wells. The shareholders must compute their depletion deduction separately under section 613A.

In the case of mines, wells, and other natural deposits, other than oil and gas wells, enter the amount by which the deduction for depletion under section 611 (including percentage depletion for geothermal deposits) is more than the adjusted basis of such property at the end of the tax year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

Lines 14e(1) and 14e(2).—Generally, the amounts to be entered on these lines are not the total corporation income or deductions for oil, gas, and geothermal properties. Generally, they are only the income and deductions included on page 1, Form 1120S, that are used to figure the amount on line 21, page 1, Form 1120S.

If there are any items of income or deductions for oil, gas, and geothermal properties included in the amounts that are required to be passed through separately to the shareholders on Schedule K-1, give each shareholder a schedule for the line on which the income or deduction is included and which shows the amount of income or deductions included in the total amount for that line. Do not include any of these direct pass through amounts on lines 14e(1) or 14e(2). The shareholder is told in the Shareholder's Instructions for Schedule K-1 (Form 1120S) to adjust the amounts on lines 14e(1) and 14e(2) for any other income or deductions from oil, gas, or geothermal properties included on lines 2 through 10 and 20 of Schedule K-1 in order to determine the total income or deductions from oil, gas, and geothermal properties for the corporation.

Figure the amount for lines 14e(1) and 14e(2) separately for oil and gas properties which are not geothermal deposits and for all properties which are geothermal deposits.

Give the shareholders a schedule that shows the separate amounts that are included in the computation of the amounts on lines 14e(1) and 14e(2).

Line 14e(1).—Enter the aggregrate amount of gross income (within the meaning of section 613(a)) from all oil, gas, and geothermal properties received or accrued during the tax year that was included on page 1, Form 1120S.

Line 14e(2).—Enter the amount of any deductions allocable to oil, gas, and geothermal properties reduced by the excess intangible drilling costs that were included on page 1, Form 1120S, on properties for which the corporation made an election to expense intangible drilling costs in tax years beginning before January 1, 1983. Do not include nonproductive well costs included on page 1.

Figure excess intangible drilling costs as follows: From the allowable intangible drilling and development costs (except for costs in drilling a nonproductive well), subtract the amount that would have been allowable if the corporation had capitalized these costs and either amortized them over the 120 months that started when production began, or treated them according to any election the corporation made under section 57(b)(2).

See section 57(a)(2) for more information.

Line 14f.—Show in the line 20 Supplemental Schedules space of Schedule K-1, or on an attached statement if more space is needed, each shareholder's share of:

- Amortization of certified pollution control facilities.—Enter the amount by which the amortization deduction the corporation took for 1988 is more than the depreciation deduction otherwise allowable.
- Completed contract method of accounting for long-term contracts.—Use of the percentage of completion method is required for minimum tax purposes. See section 56(a)(3) and the instructions for Form 6251 for more information.
- Installment method of accounting.—Applies to sales of inventory or stock in trade after 3/1/86 and sales of business or rental property where the sales price exceeds $150,000. See section 56(a)(6) and the instructions for Form 6251 for more information.
- Charitable contributions of appreciated property.—Provide shareholders with their distributive share of the amount of the difference between the fair market value of capital gain property donated by the corporation to a charitable organization, and the corporation's adjusted basis in the donated property. See section 57(a)(6).
- Losses from passive farming activities.—No loss from any tax shelter farm activity is allowed for minimum tax purposes. See section 58(a) and the instructions for Form 6251 for information on this adjustment item.
- Passive activity loss.—Provide shareholders with any needed information (in addition to the information given in items D and E and on lines 1 through 3 of Schedule K-1) to figure this adjustment item. See section 58(b) for more information.
- Any other information needed to complete Form 6251 not listed above or on lines 14a through 14e.

Foreign Taxes

Lines 15a through 15g.—In addition to the instructions below, see **Form 1116**, Computation of Foreign Tax Credit—Individual, Fiduciary, or Nonresident Alien Individual, and the related instructions.

Line 15a.—Enter the type of income from outside the U.S. as follows:

- Passive income
- High withholding tax interest income
- Financial services income
- Shipping income
- Dividends from an IC-DISC or former DISC
- Distributions from Foreign Sales Corporation (FSC) or former FSC
- General limitation income (all other income from sources outside U.S., including income from sources within U.S. possessions)

If, for the country or U.S. possession shown on line 15b, the corporation had more than one type of income, enter "More than one type" and attach a schedule for each type of income for lines 15b through 15g.

Line 15b.—Enter the name of the foreign country or U.S. possession. If, for the type of income shown on line 15a, the corporation had income from, or paid taxes to, more than one foreign country or U.S. possession, enter "More than one foreign country or U.S. possession" and attach a schedule for each country for lines 15a and 15c through 15g.

Line 15c.—Enter in U.S. dollars the total gross income from sources outside the U.S. Attach a schedule that shows each type of income as follows:

- Passive income
- High withholding tax interest income
- Financial services income
- Shipping income
- Dividends from an IC-DISC or former DISC
- Distributions from Foreign Sales Corporation (FSC) or former FSC
- General limitation income (all other income from sources outside U.S., including income from sources within U.S. possessions)

Line 15d.—Enter in U.S. dollars the total applicable deductions and losses attributable to income on line 15c. Attach a

schedule that shows each type of deduction or loss as follows:

- Expenses directly allocable to each type of income listed above
- Pro rata share of all other deductions not directly allocable to specific items of income
- Pro rata share of losses from other separate limitation categories

Line 15e.—Enter in U.S. dollars the total foreign taxes (described in section 901) that were accrued by the corporation or paid to foreign countries or U.S. possessions. Attach a schedule that shows the date(s) the taxes were paid or accrued, and the amount in both foreign currency and in U.S. dollars, as follows:

- Taxes withheld at source on dividends
- Taxes withheld at source on rents and royalties
- Other foreign taxes paid or accrued

Line 15f.—Enter in U.S. dollars the total reduction in taxes available for credit. Attach a schedule that shows separately the:

- Reduction for foreign mineral income
- Reduction for failure to furnish returns required under section 6038
- Reduction for taxes attributable to boycott operations (section 908)
- Reduction for foreign oil and gas extraction income (section 907(a))
- Reduction for any other items (specify)

Line 15g.—Enter in U.S. dollars any items not covered in lines 15c, 15d, 15e, and 15f.

Line 16 (Schedule K-1).—Enter total distributions made to each shareholder other than dividends reported on line 18 of Schedule K. Noncash distributions of appreciated property are valued at fair market value. See Schedules L and M instructions for ordering rules on distributions.

Line 18 (Schedule K).—Enter total dividends paid to shareholders from accumulated earnings and profits contained in retained earnings (line 26 of Schedule L). Report these dividends to shareholders on Form 1099-DIV. Do not report them on Schedule K-1.

Recapture of Tax Credits (Schedule K-1 only)

Lines 18a and 18b.—If recapture of part or all of the low-income housing credit is required because (1) prior year qualified basis of a building decreases or (2) the corporation disposed of a building or part of its interest in a building, see **Form 8611,** Recapture of Low-Income Housing Credit. The instructions for Form 8611 indicate when Form 8611 is completed by the corporation and what information is provided to shareholders when recapture is required. **Note:** *If a shareholder's ownership interest in a building decreases because of a transaction at the shareholder level, the corporation must provide the necessary information to the shareholder to enable the shareholder to compute the recapture.*

If the corporation posted a bond to avoid recapture of the credit, it must attach **Form 8693,** Low-Income Housing Credit Disposition Bond, to Form 1120S, and write "Form 8693 attached" to the left of the entry space for line 11b(2) of Schedule K.

Line 19.—Complete line 19 when regular or energy investment credit property is disposed of or ceases to be qualified property, or if there is a decrease in the business percentage before the end of the "life-years category" or "recovery period" assigned. For more information, see Form 4255, Publication 572, and section 48(q).

The corporation itself is liable for investment credit recapture in certain cases. See instructions for line 22c, page 1, Form 1120S, for details.

Other Items

Line 17 (Schedule K).—Attach a statement to Schedule K to report the corporation's total income, expenditures, or other information for items **a** through **o** of the line 20 (Schedule K-1) instruction below.

Line 20 (Schedule K-1).—Enter in the line 20 Supplemental Schedules space of Schedule K-1, or on an attached schedule if more space is needed, each shareholder's share of any information asked for on lines 1 through 19 that is required to be reported in detail, and items **a** through **o** below. Please identify the applicable line number next to the information entered in the Supplemental Schedules space. Show income or gains as a positive number. Show losses with the number in parentheses.

a. Tax-exempt interest income. Include exempt-interest dividends the corporation realized as a shareholder in a mutual fund or other regulated investment company.

b. Nondeductible expenses incurred by the corporation.

c. Taxes paid on undistributed capital gains by a regulated investment company. As a shareholder of a regulated investment company, the corporation will receive notice on **Form 2439,** Notice to Shareholder of Undistributed Long-Term Capital Gains, that the company paid tax on undistributed capital gains.

d. Gross income and other information relating to oil and gas well properties that are reported to shareholders to allow them to figure the depletion deduction for oil and gas well properties. See section 613A(c)(13) for details.

The corporation cannot deduct depletion on oil and gas wells. Each shareholder must determine the allowable amount to report on his or her return. See Publication 535 for more information.

e. Recapture of section 179 expense deduction. For property placed in service after 1986, the section 179 deduction is recaptured at any time the business use of property drops to 50% or less. Enter the amount that was originally passed through and the corporation's tax year in which it was passed through. Tell the shareholder if the recapture amount was caused by the disposition of the recovery property. See section 179(d)(10) for more information. Do not include this amount on line 4 or 5, page 1, Form 1120S.

f. Total qualified expenditures (and the period paid or incurred during the tax year) to which an election under section 59(e) applies. Do not report these expenditures as tax preference items on line 14 of Schedules K and K-1.

g. Intangible drilling costs under section 263(c). See Publication 535 to determine the amount to pass through to each shareholder.

h. Deduction and recapture of certain mining exploration expenditures paid or incurred (section 617).

i. Any information or statements the corporation is required to furnish to shareholders to allow them to comply with requirements under section 6111 (registration of tax shelters) or 6661 (substantial understatement of tax).

j. If the corporation is involved in farming or fishing activities, report the gross income from these activities to shareholders.

k. Any information needed by a shareholder to complete the interest due under section 453A(c). If an obligation arising from the disposition of real property to which section 453A applies is outstanding at the close of the year, each shareholder's tax liability must be increased by the tax due under section 453(c) on the shareholder's allocable share of the tax deferred under the installment method.

l. Any information needed by a shareholder to compute the interest due under section 453(l)(3). If the corporation elected to report the dispositions of certain timeshares and residential lots on the installment method, each shareholder's tax liability must be increased by the shareholder's allocable share of the interest on tax attributable to the installment payments received during the taxable year.

m. Any information needed by a shareholder to properly capitalize interest as required by section 263A(f). See item **a** under **Limitations on deductions** on page 8 for additional information.

n. If the corporation is a closely-held S corporation (defined in section 260(b)) and it entered into any long-term contracts after 2-28-86 that are accounted for under either the percentage of completion-capitalized cost method or the percentage of completion method, it must attach a schedule to Form 1120S showing the information required in items (a), (b), and (c) of the line 2 instructions for **Form 8697,** Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. It must also report the line 2 amounts to its shareholders as specified in the line 2 instructions for Form 8697. See the instructions for Form 8697 for more information.

o. Any other information the shareholders need to prepare their tax returns.

Schedules L and M

The balance sheets should agree with your books and records. Include certificates of deposit as cash on line 1 of Schedule L. The following rules apply in determining the balances of lines 23 through 27 of Schedule L and amounts used in figuring lines 1 through 9 of Schedule M.

If Schedule L, column (c), amounts for lines 23, 24, or 25 are not the same as corresponding amounts on line 9 of Schedule M, attach a schedule explaining any differences. For example, the balance of the accumulated adjustments account (line 23) may differ if Schedule L reflects straight-line depreciation and some other method is used for purposes of line 2 of Schedule M. You may show your explanation below Schedule M if there is sufficient space.

Note: *Schedule M does not provide for a reconciliation of book income to tax return income. However, you may want to make*

your own separate reconciliation of book income or (loss) to tax return income or (loss). Make sure that all items of income, loss, and deductions reported on page 1, Form 1120S, and on Schedule K of Form 1120S are used in figuring lines 2, 3, 5, 6, and 7 of Schedule M.

Line 23.—The "accumulated adjustments account" (AAA) is to be maintained by all S corporations.

At the end of the tax year, if the corporation **does not have accumulated earnings and profits (E&P),** the AAA is determined by taking into account all items of income, loss, and deductions for the tax year (including nontaxable income and nondeductible losses and expenses). See section 1368 for other details. After the year-end income and expense adjustments are made, the account is reduced by distributions made during the tax year. See the **Distributions** instruction below for distribution rules.

At the end of the tax year, if the corporation **has accumulated E&P,** the AAA is determined by taking into account the taxable income, deductible losses and expenses, and nondeductible losses and expenses for the tax year. Adjustments for nontaxable income are made to the other adjustments account as explained in the line 24 instruction below. See section 1368. After the year-end income and expense adjustments are made, the account is reduced by distributions made during the tax year. See the **Distributions** instruction below for distribution rules.

Note: *The AAA may have a negative balance at year end. See section 1368(e).*

Line 24.—The "other adjustments" account is maintained only by corporations that **have** accumulated E&P at year end. The account is adjusted for tax-exempt income (and related expenses) of the corporation. See section 1368. After adjusting for tax-exempt income, the account is reduced for any distributions made during the year. See the **Distributions** instruction below.

Line 25.—The "shareholders' undistributed taxable income previously taxed" account, also called "previously taxed income" (PTI), is only maintained if the corporation had a balance in this account at the start of its 1988 tax year. If there is a beginning balance for the 1988 tax year, no adjustments are made to the account except to reduce the account for distributions made under section 1375(d) (as in effect before the enactment of the Subchapter S Revision Act of 1982). See **Distributions** instruction below for the order of distributions from the account.

Each shareholder's right to nontaxable distributions from PTI is personal and cannot be transferred to another person. The corporation is required to keep records of each shareholder's net share of PTI.

Line 26.—Enter retained earnings other than that reported on lines 23, 24, and 25. Other retained earnings include the appropriated and unappropriated retained earnings accumulated in prior years when the S corporation was a C corporation (section 1361(a)(2)) or a small business corporation prior to 1983 (section 1371 of prior law). Generally, the S corporation has a balance on line 26 only if it had ending balances in appropriated or unappropriated retained earnings prior to 1987 (lines 23 and 24 of Schedule L of the 1986 Form 1120S or Form 1120) and has not distributed this retained earnings.

If the corporation maintained separate accounts for appropriated and unappropriated retained earnings, it may want to continue such accounting for purposes of preparing its financial balance sheet. Also, if the corporation converts to C corporation status in a subsequent year, it will be required to report its retained earnings on separate lines of Schedule L of Form 1120.

If line 26 has a beginning balance for 1988, and the account contains accumulated earnings and profits (E&P), the only adjustments made to accumulated E&P are:

1. reductions for dividend distributions,

2. adjustments for redemptions, liquidations, reorganizations, etc., and

3. reductions for section 47 recapture tax for which the corporation is liable.

See **Distributions** instruction below regarding distributions from retained earnings and section 1371(c) for other details.

Check the box below line 26 if the corporation was a C corporation in a prior year(s) and has subchapter C earnings and profits (E&P) at the close of its 1988 tax year. For this purpose, "subchapter C E&P" means E&P of any corporation for any tax year when it was not an S corporation. See sections 1362(d)(3)(B) and 312 for other details. If the corporation has subchapter C E&P, it may be liable for tax imposed on excess net passive income. See instructions for line 22a, page 1, of Form 1120S for details on this tax.

Line 27.—Combine lines 23 through 26, column (a) and column (c), and enter the totals in line 27, column (b) and column (d). In most cases, the totals should equal the beginning and ending balances of the corporation's retained earnings shown in its general ledger. If line 27, column (d), does not agree with the corporation's books, attach a schedule explaining the differences. **Note:** *The schedule asked for at the top of Schedule M, Form 1120S, will usually explain any net differences. If so, an additional schedule is not required.*

Distributions

Generally, property distributions (including cash) are applied to reduce balance sheet equity accounts in the following order:

a. Reduce AAA. If distributions during the tax year exceed the AAA at the close of the tax year, the AAA is allocated pro rata to each distribution made during the tax year. See section 1368(c).

b. Reduce shareholders' PTI account for any section 1375(d) (as in effect before January 1, 1983) distributions. A distribution from the PTI account is tax free to the extent of a shareholder's basis in the account.

c. Reduce retained earnings accounts to the extent of accumulated E&P.

d. Reduce the other adjustments account.

e. Reduce any remaining shareholders' equity accounts.

If a section 1368(e)(3) election is made, distributions are made from the retained earnings account before the AAA. If the corporation has PTI and wants to make distributions from retained earnings before making distributions from PTI, it may if it elects to do so with the consent of all its shareholders. The statement of election must be attached to a timely filed Form 1120S for which the distributions are made. The election must be made separately for each tax year.

In the case of either election, after all accumulated earnings and profits in the retained earnings are distributed, the above general order of distributions applies except that item **c** is eliminated.

Codes for Principal Business Activity

These codes for the Principal Business Activity are designed to classify enterprises by the type of activity in which they are engaged to facilitate the administration of the Internal Revenue Code. Though similar in format and structure to the Standard Industrial Classification Codes (SIC), they should not be used as SIC codes.

Using the list below, enter on page 1, under B, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means the total of: gross receipts on line 1a, page 1; all other income on lines 4 and 5, page 1; and income (receipts only) on lines 2, 3, and 4a through 4f of Schedule K.

On page 2, under J, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

If, as its principal business activity, the corporation (1) purchases raw materials, (2) subcontracts out for labor to make a finished product from the raw materials, and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010–3998) under "Manufacturing."

Agriculture, Forestry, and Fishing

Code

0400 Agricultural production.
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping.

Mining

Metal mining:
1010 Iron ores.
1070 Copper, lead and zinc, gold and silver ores.
1098 Other metal mining.
1150 Coal mining.

Oil and gas extraction:
1330 Crude petroleum, natural gas, and natural gas liquids.
1380 Oil and gas field services.

Nonmetallic minerals, except fuels:
1430 Dimension, crushed and broken stone, sand and gravel.
1498 Other nonmetallic minerals, except fuels.

Construction

General building contractors and operative builders:
1510 General building contractors.
1531 Operative builders.
1600 Heavy construction contractors.

Special trade contractors:
1711 Plumbing, heating, and air conditioning.
1731 Electrical work.
1798 Other special trade contractors.

Manufacturing

Food and kindred products:
2010 Meat products.
2020 Dairy products.
2030 Preserved fruits and vegetables.
2040 Grain mill products.
2050 Bakery products.
2060 Sugar and confectionery products.
2081 Malt liquors and malt.
2088 Alcoholic beverages, except malt liquors and malt.
2089 Bottled soft drinks, and flavorings.
2096 Other food and kindred products.
2100 Tobacco manufacturers.

Textile mill products:
2228 Weaving mills and textile finishing.
2250 Knitting mills.
2298 Other textile mill products.

Apparel and other textile products:
2315 Men's and boys' clothing.
2345 Women's and children's clothing.
2368 Other apparel and accessories.
2390 Miscellaneous fabricated textile products.

Lumber and wood products:
2415 Logging, sawmills, and planing mills.
2430 Millwork, plywood, and related products.
2498 Other wood products, including wood buildings and mobile homes.
2500 Furniture and fixtures.

Paper and allied products:
2625 Pulp, paper, and board mills.
2699 Other paper products.

Printing and publishing:
2710 Newspapers.
2720 Periodicals.
2735 Books, greeting cards, and miscellaneous publishing.
2799 Commercial and other printing, and printing trade services.

Code

Chemicals and allied products:
2815 Industrial chemicals, plastics materials and synthetics.
2830 Drugs.
2840 Soap, cleaners, and toilet goods.
2850 Paints and allied products.
2898 Agricultural and other chemical products.

Petroleum refining and related industries (including those integrated with extraction):
2910 Petroleum refining (including integrated).
2998 Other petroleum and coal products.

Rubber and misc. plastics products:
3050 Rubber products, plastics footwear, hose, and belting.
3070 Misc. plastics products.

Leather and leather products:
3140 Footwear, except rubber.
3198 Other leather and leather products.

Stone, clay, and glass products:
3225 Glass products.
3240 Cement, hydraulic.
3270 Concrete, gypsum, and plaster products.
3298 Other nonmetallic mineral products.

Primary metal industries:
3370 Ferrous metal industries.
3380 Nonferrous metal industries.

Fabricated metal products:
3410 Metal cans and shipping containers.
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products.
3430 Plumbing and heating, except electric and warm air.
3440 Fabricated structural metal products.
3460 Metal forgings and stampings.
3470 Coating, engraving, and allied services.
3480 Ordnance and accessories, except vehicles and guided missiles.
3490 Misc. fabricated metal products.

Machinery, except electrical:
3520 Farm machinery.
3530 Construction and related machinery.
3540 Metalworking machinery.
3550 Special industry machinery.
3560 General industrial machinery.
3570 Office, computing, and accounting machines.
3598 Other machinery except electrical.

Electrical and electronic equipment:
3630 Household appliances.
3665 Radio, television, and communication equipment.
3670 Electronic components and accessories.
3698 Other electrical equipment.
3710 Motor vehicles and equipment.

Transportation equipment, except motor vehicles:
3725 Aircraft, guided missiles and parts.
3730 Ship and boat building and repairing.
3798 Other transportation equipment, except motor vehicles.

Instruments and related products:
3815 Scientific instruments and measuring devices; watches and clocks.
3845 Optical, medical, and ophthalmic goods.
3860 Photographic equipment and supplies.
3998 Other manufacturing products.

Transportation and Public Utilities

Code

Transportation:
4000 Railroad transportation.
4100 Local and interurban passenger transit.
4200 Trucking and warehousing.
4400 Water transportation.
4500 Transportation by air.
4600 Pipe lines, except natural gas.
4700 Miscellaneous transportation services.

Communication:
4825 Telephone, telegraph, and other communication services.
4830 Radio and television broadcasting.

Electric, gas, and sanitary services:
4910 Electric services.
4920 Gas production and distribution.
4930 Combination utility services.
4990 Water supply and other sanitary services.

Wholesale Trade

Durable:
5008 Machinery, equipment, and supplies.
5010 Motor vehicles and automotive equipment.
5020 Furniture and home furnishings.
5030 Lumber and construction materials.
5040 Sporting, recreation, photographic, and hobby goods, toys and supplies.
5050 Metals and minerals, except petroleum and scrap.
5060 Electrical goods.
5070 Hardware, plumbing and heating equipment and supplies.
5098 Other durable goods.

Nondurable:
5110 Paper and paper products.
5129 Drugs, drug proprietaries, and druggists' sundries.
5130 Apparel, piece goods, and notions.
5140 Groceries and related products.
5150 Farm-product raw materials.
5160 Chemicals and allied products.
5170 Petroleum and petroleum products.
5180 Alcoholic beverages.
5190 Misc. nondurable goods.

Retail Trade

Building materials, garden supplies, and mobile home dealers:
5220 Building materials dealers.
5251 Hardware stores.
5265 Garden supplies and mobile home dealers.
5300 General merchandise stores.

Food stores:
5410 Grocery stores.
5490 Other food stores.

Automotive dealers and service stations:
5515 Motor vehicle dealers.
5541 Gasoline service stations.
5598 Other automotive dealers.
5600 Apparel and accessory stores.
5700 Furniture and home furnishings stores.
5800 Eating and drinking places.

Misc. retail stores:
5912 Drug stores and proprietary stores.
5921 Liquor stores.
5999 Other retail stores.

Finance, Insurance, and Real Estate

Code

Banking:
6030 Mutual savings banks.
6060 Bank holding companies.
6090 Banks, except mutual savings banks and bank holding companies.

Credit agencies other than banks:
6120 Savings and loan associations.
6140 Personal credit institutions.
6150 Business credit institutions.
6199 Other credit agencies.

Security, commodity brokers and services:
6210 Security brokers, dealers, and flotation companies.
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services.

Insurance:
6355 Life insurance.
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies.
6359 Other insurance companies.
6411 Insurance agents, brokers, and service.

Real estate:
6511 Real estate operators and lessors of buildings.
6516 Lessors of mining, oil, and similar property.
6518 Lessors of railroad property and other real property.
6530 Condominium management and cooperative housing associations.
6550 Subdividers and developers.
6599 Other real estate.

Holding and other investment companies, except bank holding companies:
6744 Small business investment companies.
6749 Other holding and investment companies except bank holding companies.

Services

7000 Hotels and other lodging places.
7200 Personal services.

Business services:
7310 Advertising.
7389 Business services, except advertising.

Auto repair; miscellaneous repair services:
7500 Auto repair and services.
7600 Misc. repair services.

Amusement and recreation services:
7812 Motion picture production, distribution, and services.
7830 Motion picture theaters.
7900 Amusement and recreation services, except motion pictures.

Other services:
8015 Offices of physicians, including osteopathic physicians.
8021 Offices of dentists.
8040 Offices of other health practitioners.
8050 Nursing and personal care facilities.
8060 Hospitals.
8071 Medical laboratories.
8099 Other medical services.
8111 Legal services.
8200 Educational services.
8300 Social services.
8600 Membership organizations.
8911 Architectural and engineering services.
8930 Accounting, auditing, and bookkeeping.
8980 Miscellaneous services, (including veterinarians).

Computation Schedule for Required Payment Under Section 7519 (Attach this Schedule to Form 720.)

Name of Corporation	Identification number

1	Net income for base year (section 7519(d)) (not less than zero)	1	
2	Applicable payments (section 7519(d)) made during base year	2	
3	Base year deferral ratio (number of months in deferral period over number of months in tax year) expressed as a percentage	3	%
4	Line 1 deferred amount—Line 1 times percentage on line 3	4	
5	Line 2 deferred amount—Line 2 times percentage on line 3	5	
6	Applicable payments made during the deferral period of the base year	6	
7	Net line 2 deferred amount—Line 5 less line 6 (but not less than zero)	7	
8	Net base year income—Add lines 4 and 7	8	
9	Enter the adjusted highest section 1 tax rate percentage (Generally, for applicable election years beginning in 1988, the percentage is 29% (28% plus 1%).)	9	%
10	Applicable percentage (for applicable election years beginning in 1988, the percentage is 50%)	10	%
11	Section 7519(b)(1) percentage—Line 9 times percentage on line 10	11	%
12	Current year required payment—Line 8 times the percentage on line 11. (If this amount is more than $500, enter it here and on Form 720, **IRS No. 11.** If the amount is $500 or less, enter it here and enter zero on Form 720, **IRS No. 11.** Attach this schedule to Form 720. See instructions for line 12 below for obtaining a refund of prior year payments.)	12	

General Instructions for Section 7519 Computation Schedule

Required Payment.—If the corporation filed Form 8716, to elect under section 444 to have a fiscal tax year, and its election is still in effect, the corporation must make a required payment of tax as provided by section 7519. Any tax year the election is in effect is hereinafter referred to as the applicable election year. Willful failure of the corporation to make the required payment may result in the cancellation of the section 444 election.

If the election is in effect for its applicable election year beginning in 1988, use the above computation schedule to figure the required payment. See the instructions for line 12 of the worksheet for details on when and how to report and pay the required payment.

If the corporation made a required payment for its 1987 tax year, see the instruction below for **Obtaining refund or credit of prior year payment.**

Line-by-line Instructions

Note: *If the S corporation has a base year of less than 12 months (short base year), the corporation must figure its net base year income (lines 1 through 8 of the worksheet) under the special rule of temporary regulations section 1.7519-1T(b)(5)(v). See this regulation for additional details.*

Line 1. Net income for base year.—The base year is the tax year preceding the applicable election year. For example, if you are completing the worksheet for your tax year beginning 4-1-88 and ending 3-31-89, your base year is your tax year beginning 4-1-87 and ending 3-31-88.

If an applicable election year is the S corporation's first year of existence (i.e. it is a newly formed corporation and therefore does not have a base year), the required payment for such applicable election year is zero. See instructions for line 12 below for reporting payments of less than $500.

Line 1 net income is the aggregate of the corporation's items of income and expenses (but not less than zero) described in section 1366(a) (other than credits and tax-exempt income). For purposes of figuring line 1, any limitation on the amount of any item described in section 1366(a) which may be taken into account for purposes of figuring the taxable income of the shareholder shall be disregarded.

If the S corporation was a C corporation for its base year, the C corporation's taxable income is treated as the net income of the S corporation for the base year. See regulations section 1.7519-1T(b)(5) for other details.

Line 2. Applicable payments made during base year.—In general, applicable payments means any amount deductible in the base year that is includible at any time, directly or indirectly, in the gross income of any shareholder that was a shareholder during the base year. Examples of applicable payments are officer's compensation, wages, and rental costs paid to any shareholder.

If the S corporation was a C corporation for its base year, the corporation shall be treated as an S corporation for the base year for purposes of applicable payments. Thus, amounts deductible by the C corporation in the base year that are includible at any time in the gross income of a taxpayer that is a shareholder during the base year are treated as if from an S corporation, and therefore within the meaning of the term "applicable payments."

Line 3. Base year deferral ratio.—The deferral period is the months between the beginning of the elected tax year and the close of the first required tax year (calendar year) ending within the elected tax year.

Line 10. Applicable percentage.—Generally, for applicable election years beginning in 1988 the applicable percentage is 50%.

Line 12. Current year required payment.—If the line 12 amount is more than $500, report this amount on Form 720, IRS No. 11, attach the worksheet to Form 720, and complete the form based on the instructions for Form 720.

If the line 12 is $500 or less, enter zero on Form 720, IRS No. 11, attach the computation schedule to Form 720, and complete the form based on the instructions for Form 720.

When required payments are due (or zero amounts reported).—For applicable election years beginning in 1988, the required payment must be made (or zero amount reported) on or before May 15, 1989. **Note:** *Regulations section 1.444-3T(b)(4)(iii) provides a special rule that extends the due date for required payments that relate to certain back-up section 444 elections.*

The payment may be remitted, by check or money order, with Form 720, or deposited with FTD deposit coupons. If you pay by check or money order, write the corporation's identification number and "IRS NO. 11 PAYMENT" on the check or money order.

Obtaining refund or credit of prior year payment.—To obtain a refund or credit of a required payment made for the preceding tax year, enter the prior year payment on line 4, Part II, of Form 720, and complete the form based on the instructions for Form 720. **Note:** *A claim for refund of a prior years required payment cannot be filed before April 15 of the tax year following the tax year for which the payment was made (see regulations section 1.7519-2T(a)(6)).*

Form **1120-W**
(WORKSHEET)
Department of the Treasury
Internal Revenue Service

Corporation Estimated Tax

(Keep for Your Records—Do *Not* Send to Internal Revenue Service)

OMB No. 1545-0975

1989

1	Taxable income expected in the tax year	1	
	Qualified personal service corporations (defined in instructions): Skip lines 2 through 9 and enter 34% of line 1 on line 10.		
2	Enter the smaller of line 1 or $50,000 (members of a controlled group, see instructions)	2	
3	Subtract line 2 from line 1	3	
4	Enter the smaller of line 3 or $25,000 (members of a controlled group, see instructions)	4	
5	Subtract line 4 from line 3	5	
6	Enter 15% of line 2	6	
7	Enter 25% of line 4	7	
8	Enter 34% of line 5	8	
9	If line 1 is greater than $100,000, enter the lesser of: 5% of the excess over $100,000; or $11,750 (members of a controlled group, see instructions)	9	
10	Add amounts on lines 6 through 9	10	
11	Estimated tax credits	11	
12	Subtract line 11 from line 10	12	
13	Recapture of **a** Investment credit and **b** Low-income housing credit	13	
14a	Alternative minimum tax	14a	
b	Environmental tax	14b	
15	Total—Add lines 12 through 14b	15	
16	Credit for Federal tax on fuels	16	
17	Total—Subtract line 16 from line 15. **Note:** *If the amount on this line is less than $500, the corporation is not required to make estimated tax payments.*	17	
18a	Enter 90% of line 17 — 18a		
b	Enter 100% of the tax shown on your 1988 return (see instructions) — 18b		
c	Enter the lesser of line 18a or line 18b	18c	
19	If the first installment you are required to deposit is due by the 15th day of the 4th month of your tax year, enter 25% of line 18c. (Otherwise, see instructions for the percentage of line 18c to enter.) This is your required installment unless **a** or **b** below applies to the corporation:		
a	If the corporation uses the annualized income or adjusted seasonal installment method for any installment, see section 6655(e) to figure the amount of each installment.		
b	"Large corporations" (as defined in the instructions) not using either method in **a**: **(i)** If line 18b exceeds line 18a **or** less than 4 installments are to be paid: Multiply line 18a by the applicable percentage shown in the table in the instructions to figure the amount of your required installment. **(ii)** If line 18a exceeds line 18b **and** 4 installments are to be paid: The 1st installment is figured by multiplying the amount on line 18b by 25%. The 2nd installment is figured by subtracting line 18b from line 18a, adding the result to the amount on line 18a, and multiplying the total by 25%. The 3rd and 4th installments are figured by multiplying the amount on line 18a by 25%. A corporation may elect to apply its 1988 overpayment against its 1989 tax. Generally, the overpayment will be applied against the earliest installment unless the taxpayer instructs the IRS differently. See Rev. Rul. 84-58, 1984-1 C.B. 254.	19	

Amended Estimated Tax—If after the corporation figures and deposits estimated tax it finds that its estimated tax is much more or less than originally estimated because its economic condition has changed, it should refigure its estimated tax before the next installment. Corporations may use the following lines to figure the remaining installment payments. (See instructions for exceptions.)

20	Enter 90% of the refigured total tax you expect to owe this year. (If the amount on line 18b is smaller, enter that amount instead unless you are a "large corporation.")	20	
21	Multiply line 20 by the last percentage shown in the column for the due date of the next installment in the table on page 2	21	
22	Amount of 1988 overpayment elected as a credit against 1989 estimated tax — 22		
23	Earlier estimated tax payments made for 1989 (include only net amounts deposited—do not include the credit taken on line 22) — 23		
24	Total amount already paid (add lines 22 and 23)	24	
25	Amount of next required installment—Subtract line 24 from line 21. (If less than zero, enter zero.)	25	

Note: *Required installments due after this installment (if any) are figured by:* ***(a)*** *multiplying line 20 by 25%, and* ***(b)*** *subtracting any unapplied overpayments of previous installments from this amount.*

For Paperwork Reduction Act Notice, see instructions.

Form **1120-W** (1989)

General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—Your use of this form is optional. It is provided to aid you in determining your tax liability.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping . . . . . 6 hrs., 28 min.
Learning about the law or the form . . . . . 1 hr., 5 min.
Preparing the form . . . . . 1 hr., 14 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

A. Who Must Make Estimated Tax Payments.—Generally, a corporation must make estimated tax payments if it expects its estimated tax (income tax less credits) to be $500 or more. Tax-exempt corporations filing **Form 990-T,** Exempt Organization Business Income Tax Return, must make estimated tax payments with respect to their unrelated business income tax. Tax-exempt corporations should use this Form 1120-W to figure their estimated tax.

B. Underpayment of Estimated Tax.—A corporation that does not pay estimated tax when due may be charged an underpayment penalty for the period of underpayment (section 6655), at a rate determined under section 6621.

C. Overpayment of Estimated Tax.—A corporation that has overpaid its estimated tax may apply for a "quick refund" if the overpayment is:

(1) At least 10% of its expected income tax liability, **and**

(2) At least $500.

To apply, the corporation must file **Form 4466,** Corporation Application for Quick Refund of Overpayment of Estimated Tax, within 2½ months after the end of its tax year and before it files its tax return.

Note: *A tax-exempt corporation filing Form 990-T may not apply for a quick refund of overpaid estimated tax with respect to its unrelated business income tax.*

Specific Instructions

Qualified personal service corporations.—A qualified personal service corporation is taxed at a flat rate of 34% on its taxable income. For this purpose, a qualified personal service corporation is any corporation: **(a)** substantially all of the activities of which involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, and **(b)** at least 95% of the stock of which is owned by employees performing the services, retired employees who had performed the services listed above, any estate of an employee or retiree described above, or any person who acquired stock of the corporation as a result of the death of an employee or retiree described above if the acquisition occurred within 2 years of death. See Temporary Regulations section 1.448-1T(e) for details.

Lines 2 and 4.—On line 2, members of a controlled group enter the lesser of the amount on line 1 or their share of the $50,000 amount. On line 4, members of a controlled group enter the lesser of the amount on line 3 or their share of the $25,000 amount.

If no apportionment plan is adopted, the members of the controlled group must share the amounts in each taxable income bracket equally. For example, controlled group AB consists of corporation A and corporation B. They do not elect an apportionment plan. Therefore, corporation A is entitled to $25,000 (half of $50,000) in the first taxable income bracket, and $12,500 (half of $25,000) in the second taxable income bracket. Corporation B is also entitled to $25,000 in the first taxable income bracket, and $12,500 in the second taxable income bracket.

Members of a controlled group may elect an unequal apportionment plan and divide the amounts in each taxable income bracket in any way they want.

They need not divide each taxable income bracket in the same way. For example, if controlled group AB above elects an unequal apportionment plan, any member of the controlled group may be entitled to all, some, or none of the $50,000 amount in the first taxable income bracket, as long as the total for all members of the controlled group is not more than $50,000. Similarly, any member may be entitled to all, some, or none of the $25,000 amount in the second taxable income bracket, as long as the total for all members of the controlled group is not more than $25,000.

Line 9.—Members of a controlled group of corporations are treated as one corporation for purposes of figuring the applicability of the additional 5% tax. If the taxable income of the controlled group exceeds $100,000, enter on line 9 the portion of the lesser of: 5% of the excess over $100,000; or $11,750, that this member must pay.

Line 11.—The estimated tax credits include the sum of any credits against tax provided by Part IV of Subchapter A of Chapter 1 (except the credit for Federal tax on fuels shown on line 16), and overpayment of windfall profit taxes.

Line 14a.—Alternative minimum tax is generally the excess of tentative minimum tax over regular tax. See section 55 for definitions of tentative minimum tax and regular tax. Limited amounts of foreign tax credit and investment credit may be used to offset the minimum tax. See sections 55 through 59 for more information on alternative minimum tax.

Line 14b.—Environmental tax is 0.12 percent of the excess of modified alternative minimum taxable income over $2,000,000. See section 59A and **Publication 542,** Tax Information on Corporations, for more information.

Line 18b.—Figure your 1988 tax in the same manner as line 17 of this worksheet was determined, using the taxes and credits from your 1988 tax return. If you did not file a return showing a tax liability for the 1988 tax year, or if your 1988 tax year was for less than 12 months, do not complete this line. Instead, enter the amount from line 18a on line 18c.

Line 19b.—A "large corporation" is one that had, or its predecessor had, taxable income of $1 million or more for any of the 3 tax years immediately preceding the tax year involved. For this purpose, taxable income is modified to exclude net operating loss or capital loss carrybacks or carryovers. Members of a controlled group, as defined in section 1563, must divide the $1 million amount among themselves in accordance with rules similar to those in section 1561.

Line 19—Time and Amount of Deposits.—Use the following table to determine the due date of deposits and the amount of each installment. If any date falls on a Saturday, Sunday, or legal holiday, substitute the next regular workday.

If a corporation's estimated tax is $500 or more, it meets the requirement for making deposits. If this requirement is first met—	The number of installments to deposit is—	And the corporation should deposit the following percentages of the estimated tax by the 15th day of the—			
		4th month	6th month	9th month	12th month
Before the 1st day of the 4th month of the tax year	4	25	25	25	25
After the last day of the 3rd month and before the 1st day of the 6th month of the tax year	3		50	25	25
After the last day of the 5th month and before the 1st day of the 9th month of the tax year	2			75	25
After the last day of the 8th month and before the 1st day of the 12th month of the tax year	1				100

Depositary Method of Tax Payment.—Deposit corporation income tax payments and estimated tax payments with a Federal Tax Deposit (FTD) Coupon. Be sure to darken the "1120" box on Form 8109. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve bank or branch for the area where the corporation is located. **Do not** submit deposits directly to an IRS office; otherwise, the corporation may be subject to a failure-to-deposit penalty. Records of deposits will be sent to the IRS for crediting to the corporation's account. See the instructions contained in FTD Coupon Book (**Form 8109**) and **Publication 583,** Information for Business Taxpayers, for more information.

Amended Estimated Tax—Exceptions.—Do not use these lines if the annualized income or adjusted seasonal installment method is used to figure any installment. If the corporation misses a payment of estimated tax, or if it made a mistake which caused an underpayment in earlier installments, it should make an immediate "catch-up" payment.

Form **1120X**
(Rev. June 1988)
Department of the Treasury
Internal Revenue Service

Amended U.S. Corporation Income Tax Return

OMB No. 1545-0132
Expires 6-30-91

For tax year ending in
▶ _____
(Enter month and year)

Please Type or Print

Name — **Employer identification number**

Number and street (or P.O. box number if mail is not delivered to street address)

City or town, state, and ZIP code — Telephone number (optional) ( )

Enter name and address used on original return (if same as above, write "Same")

Internal Revenue Service Center where original return was filed ▶

Fill in Applicable Items and Use Part II To Explain Any Changes

Part I Income and Deductions	(a) As originally reported or as adjusted (See Specific Instructions)	(b) Net change (Increase or Decrease—explain in Part II)	(c) Correct amount
1 Total income (line 11 of Form 1120 or 1120-A)			
2 Total deductions (total of lines 27 and 29c, Form 1120, or lines 23 and 25c, Form 1120-A)			
3 Taxable income (subtract line 2 from line 1)			
4 Tax (line 31, Form 1120, or line 27, Form 1120-A)			
Payments and Credits			
5a Estimated tax payments (include overpayment in prior year allowed as a credit)			
b Amount of refund applied for on Form 4466			
c Subtract line 5b from line 5a			
6 Tax deposited with Form 7004 (automatic extension of time to file)			
7 Credit from regulated investment companies			
8 Credit for Federal tax on fuels			
9 Other payment or refundable credit (specify) ▶			
10 Tax deposited or paid with (or after) the filing of the original return			
11 Total of lines 5c through 10, column (c)			
12 Overpayment, if any, as shown on original return or as later adjusted			
13 Subtract line 12 from line 11			
Tax Due or Refund			
14 **Tax due** (subtract line 13 from line 4, column (c)). Make check payable to Internal Revenue Service (see instructions) ▶			
15 **Refund** (subtract line 4, column (c), from line 13)			

Please Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer ▶ Date ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

For Paperwork Reduction Act Notice, see instructions on back. Form **1120X** (Rev. 6-88)

Part II **Explanation of Changes to Income, Deductions, Credits, Etc.** **Enter the line reference from page 1 for which a change is reported, and give the reason for each change. Show any computation in detail. Attach any schedules needed.**

Check here ▶ ☐ **if the change is due to a net operating loss carryback, a capital loss carryback, a general business credit carryback, or for tax years beginning before 1986, a research credit carryback.**

General Instructions

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. The information is used to ensure that taxpayers are complying with these laws and to allow us to figure and collect the correct amount of tax. You are required to give us this information.

Purpose of Form.—Use Form 1120X to correct **Form 1120**, U.S. Corporation Income Tax Return, or **Form 1120-A**, U.S. Corporation Short-Form Income Tax Return, as you originally filed it or as it was later adjusted by an amended return, claim for refund, or an examination. Please note that it often takes 3 to 4 months to process Form 1120X.

Do not use this form to apply for a tentative refund or a quick refund of estimated tax.

- For a quick refund of estimated tax, file **Form 4466**, Corporation Application for Quick Refund of Overpayment of Estimated Tax. File Form 4466 only within 2½ months after the end of the tax year and before the corporation files its tax return.
- For a tentative refund due to the carryback of a net operating loss, a net capital loss, unused credits, or overpaid tax resulting from a claim-of-right adjustment under section 1341(b)(1), file **Form 1139**, Corporation Application for Tentative Refund. You may use Form 1139 only if one year or less has passed since the tax year in which the carryback or adjustment occurred. For additional information on net operating losses and a worksheet to help figure the corporation's net operating loss deduction in a carryback year, see **Publication 536**, Net Operating Losses.

When To File.—File Form 1120X only after the corporation has filed its original return. Generally, Form 1120X must be filed within 3 years after the date the original return was due or 3 years after the date the corporation filed it, whichever was later. A Form 1120X based on a net operating loss carryback, a capital loss carryback, a general business credit carryback, or for tax years beginning before 1986, a research credit carryback, generally must be filed within 3 years after the due date of the return for the tax year of the net operating loss, capital loss, or unused credit. Other claims for refund must be filed within 3 years after the date the original return was due, 3 years after the date the corporation filed it, or 2 years after the date the tax was paid, whichever is later.

What To Attach.—If you are amending your return to include any item (loss, credit, deduction, other tax benefit, or income) relating to a tax shelter required to be registered, you must attach **Form 8271**, Investor Reporting of Tax Shelter Registration Number.

Information on Income, Deductions, Tax Computation, etc.—Refer to the instructions for the Form 1120 and related schedules and forms, for the year being amended, concerning the taxability of certain types of income, the allowability of certain expenses as deductions from income, computation of tax, etc.

Note: *Deductions for such items as charitable contributions and dividends received may have to be refigured due to changes made to items of income or expense.*

Where To File.—Mail this form to the Internal Revenue Service Center where the corporation filed its original return.

Specific Instructions

Tax Year.—In the space above the employer identification number, enter the ending month and year of the calendar or fiscal year for the tax return you are amending.

Column (a)

Enter the amounts from your return as originally filed or as you later amended it. If your return was changed or audited by IRS, enter the amounts as adjusted.

Column (b)

Enter the net increase or net decrease for each line you are changing. Bracket all decreases. Explain the increase or decrease in Part II. If the change involves an item of income, deduction, or credit that the corporation income tax return or its instructions requires the corporation to support with a schedule, statement, or form, attach the appropriate schedule, statement, or form to Form 1120X.

Column (c)

Lines 1 and 2.—Add the increase in column (b) to the amount in column (a) or subtract the column (b) decrease from column (a). Report the result in column (c). For any item not changed, enter the amount from column (a) in column (c).

Line 4.—Figure the new amount of tax using the taxable income on line 3, column (c). Use Schedule J, Form 1120, or Part I, Form 1120-A, of the original return to make the necessary tax computation.

Line 6.—If you are amending a tax year prior to 1983 for which you filed Form 7005, include on line 6 the amount you deposited with Form 7005.

Line 12—Overpayment.—Enter the amount of overpayment received (or expected to be received) or the amount to be credited to estimated tax, as shown on the original return. That amount must be considered in preparing Form 1120X since any refund due from the original return will be refunded separately (or credited to estimated tax) from any additional refund claimed on Form 1120X.

Line 14—Tax due.—Make the check payable to "Internal Revenue Service" for the amount shown on line 14 and attach it to this form. Do not use the depositary method of payment.

Line 15—Refund.—If the corporation is entitled to a refund larger than the amount claimed on the original return, line 15 will show only the additional amount of refund. This additional amount will be refunded separately from the amount claimed on the original return.

Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

Preparer.—If a corporate officer filled in Form 1120X, the Paid Preparer's space should remain blank. If someone prepares Form 1120X and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120X should not sign. See the Form 1120 instructions and **Publication 1045**, Information for Tax Practitioners, for more information on preparers and their responsibilities.

Note: *IRS will figure any interest due and will either include it in the refund or bill the corporation for the interest.*

Form **1310**
(Rev. October 1988)
Department of the Treasury
Internal Revenue Service

Statement of Person Claiming Refund Due a Deceased Taxpayer

OMB No. 1545-0073
Expires 3-31-90

Attachment Sequence No. **87**

Tax year decedent was due a refund:
Calendar year , or other tax year beginning , 19 , and ending , 19

Please type or print

Name of decedent	Date of death	Social security number of decedent

Name of person claiming refund

Address (number and street)

City or town, state, and ZIP code

Part I **Check the box that applies to you (check only one box) (sign and date in Part III below)**

A ☐ Surviving spouse, requesting reissuance of a refund check. (See instructions on back of form.)

B ☐ Personal representative appointed or certified by a court. You may have to attach a court certificate showing your appointment. (See instructions on back of form.)

C ☐ Person, **other** than **A** or **B**, claiming refund for the decedent's estate. Complete Part II and attach a copy of the death certificate or proof of death. (See instructions on back of form.)

Part II **(Complete this part only if you checked Box C above)**

	Yes	No
1 Did the decedent leave a will?		
2a Has a personal representative been appointed by a court for the estate of the decedent?		
b If "No," will one be appointed?		
If 2a or 2b is answered "Yes," the personal representative must file for the refund.		
3 As the person claiming the refund for the decedent's estate, will you pay out the refund according to the laws of the state where the decedent was a legal resident?		

If "No," a refund cannot be made until you submit a court certificate showing your appointment as personal representative or other evidence that you are entitled, under state law, to receive the refund.

Part III **Signature and Verification**

I request a refund of taxes overpaid by or on behalf of the decedent. Under penalties of perjury, I declare that I have examined this claim, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of person claiming refund ▶ **Date** ▶

For Paperwork Reduction Act Notice, see instructions on back of form. Form **1310** (Rev. 10-88)

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Learning about the law or the form	3 minutes
Preparing the form	14 minutes
Copying, assembling, and sending the form to IRS	17 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget**, Paperwork Reduction Project, Washington, DC 20503.

Purpose of Form.—Form 1310 is used to claim a refund on behalf of a taxpayer who has died.

Who Must File.—File Form 1310 if you are claiming a refund on behalf of a taxpayer who has died.

Exceptions: You do not have to file Form 1310 if you are:

- A surviving spouse filing a joint return with the decedent; OR
- A personal representative filing Form 1040, Form 1040A, or Form 1040EZ for the decedent.

Example: *Assume that Mr. Green died on January 4, before filing his tax return. On April 3 of the same year, you were appointed as the personal representative for Mr. Green's estate, and you file Form 1040 for Mr. Green. You do not need Form 1310 to claim the refund on Mr. Green's tax return. However, you must attach to his return a copy of the court certificate showing your appointment.*

See **Death of Taxpayer** in the index to the Form 1040 Instructions or in the Form 1040A and Form 1040EZ Instructions.

Specific Instructions

Part I

Box A.—Check Box A if you received a refund check in your name and your deceased spouse's name. You can return the joint-name check with Form 1310 to your local IRS office, and a new check will be issued in your name.

Box B.—Check Box B **only** if you are the decedent's court appointed personal representative. For purposes of this form personal representative means the executor, executrix, administrator, or administratrix of the decedent's estate, as certified or appointed by the court.

In most cases, Form 1310 will be filed by personal representatives claiming a refund for the decedent on Form 1040X or Form 843. Form 1310 is **not** required if you are filing Form 1040, Form 1040A, or Form 1040EZ for the decedent. See **Who Must File** above.

What To Attach to Form 1310. If you are the personal representative, you **MUST** attach a copy of the court certificate showing your appointment. However, if you've already sent the court certificate to IRS, you do not have to send it again. Complete Form 1310 and state on it that a certificate has already been filed.

A copy of the decedent's will cannot be accepted as evidence that you are the personal representative.

Box C.—Check Box C if you are not a surviving spouse claiming a refund based on a joint return, or you have not been appointed by the court as the decedent's personal representative. For example, check Box C if you are a surviving spouse claiming a refund on behalf of your deceased spouse's separate tax return and there is no court appointed personal representative.

Part II

If you checked Box C, you must complete Part II of Form 1310. You must also attach a copy of the death certificate or proof of death. The proof of death may be the original or an authentic copy of a telegram or letter from the Department of Defense notifying the next of kin of the decedent's death while in active service, or a death certificate issued by the Department of Defense.

Part III

Who Must Sign.—All filers of Form 1310 must sign and date the form in Part III.

Form **2106**
Department of the Treasury
Internal Revenue Service (U)

Employee Business Expenses

▶ **See separate Instructions.**
▶ **Attach to Form 1040.**

OMB No. 1545-0139
1988
Attachment Sequence No. **54**

Your name	Social security number	Occupation in which expenses were incurred

Part I **Employee Business Expenses**

STEP 1 Enter Your Expenses		**Column A** Other than Meals and Entertainment	**Column B** Meals and Entertainment
1 Vehicle expense from Part II, line 15 or line 22	1		
2 Parking fees, tolls, and local transportation, including train, bus, etc.	2		
3 Travel expense while away from home, including lodging, airplane, car rental, etc. **Do not** include meals and entertainment	3		
4 Business expenses not included in lines 1 through 3. **Do not** include meals and entertainment	4		
5 Meals and entertainment expenses. (See Instructions.)	5		
6 Add lines 1 through 5 and enter the **total expenses** here	6		

Note: ***If you were not reimbursed for any expenses in Step 1, skip lines 7–13 and enter the amount from line 6 on line 14.***

STEP 2 Figure Any Excess Reimbursements To Report in Income

7 Reimbursements for the expenses listed in Step 1 that your employer did **not** report to you on Form W-2 or Form 1099 **Note:** *If, in* ***both columns****, line 6 is more than line 7, skip lines 8 and 9 and go to line 10. You do not have excess reimbursements.*	7		
8 Subtract line 6 from line 7. If zero or less, enter zero	8		
9 Add the amounts on line 8 of both columns and enter the total here. This is an **excess reimbursement** reportable as income. **Add this amount to any amount shown on Form 1040, line 7** ▶	9		

STEP 3 Figure Fully Deductible Reimbursed Expenses

10 Subtract line 7 from line 6. If zero or less, enter zero	10		
11 Reimbursements or allowances for the expenses in Step 1 that your employer identified to you, included on Form W-2 or Form 1099, and were not subject to withholding tax **Note:** *The amount entered on line 11 must be reported as income on Form 1040.*	11		
12 Enter the smaller of line 10 or line 11	12		
13 Add the amounts on line 12 of both columns and enter the total here. This is your **fully deductible reimbursed expenses. Also enter the total on Form 1040, line 24** ▶	13		

STEP 4 Figure Unreimbursed Expenses To Deduct on Schedule A (Form 1040)

14 Subtract line 12 from line 10 **Note:** *If* ***both columns*** *of line 14 are zero,* ***stop here.***	14		
15 Enter 20% (.20) of line 14, Column B	15		
16 Subtract line 15 from line 14	16		
17 Add the amounts on line 16 of both columns and enter the total here. **Also enter the total on Schedule A (Form 1040), line 20.** (Qualified Performing Artists and handicapped employees, see Instructions.) ▶	17		

For Paperwork Reduction Act Notice, see Instructions. Form **2106** (1988)

Part II **Vehicle Expenses (Use either your actual expenses (Section C) or the standard mileage rate (Section B).)**

Section A.—General Information

		Vehicle 1	Vehicle 2
1 Enter the date vehicle was placed in service	1	/ /	/ /
2 Total mileage vehicle was used during 1988	2	miles	miles
3 Miles included on line 2 that vehicle was used for business	3	miles	miles
4 Percent of business use (divide line 3 by line 2)	4	%	%
5 Average daily round trip commuting distance	5	miles	miles
6 Miles included on line 2 that vehicle was used for commuting	6	miles	miles
7 Other personal mileage (subtract line 6 plus line 3 from line 2)	7	miles	miles

8 Do you (or your spouse) have another vehicle available for personal purposes? ☐ Yes ☐ No

9 If your employer provided you with a vehicle, is personal use during off duty hours permitted? ☐ Yes ☐ No ☐ Not applicable

10 Do you have evidence to support your deduction? ☐ Yes ☐ No If "Yes," is the evidence written? ☐ Yes ☐ No

Section B.—Standard Mileage Rate (Do not use this section unless you own the vehicle.)

11 Enter the smaller of Part II, line 3, or 15,000 miles	11	miles
12 Subtract line 11 from Part II, line 3	12	miles
13 Multiply line 11 by 24¢ (.24) (see instructions if vehicle is fully depreciated.)	13	
14 Multiply line 12 by 11¢ (.11)	14	
15 Add lines 13 and 14. Enter total here and on Part I, line 1	15	

Section C.—Actual Expenses

		Vehicle 1	Vehicle 2
16 Gasoline, oil, repairs, vehicle insurance, etc.	16		
17 Vehicle rentals	17		
18 Value of employer-provided vehicle (applies only if included on Form W-2 at 100% fair rental value; see instructions)	18		
19 Add lines 16 through 18	19		
20 Multiply line 19 by the percentage on Part II, line 4	20		
21 Depreciation from Section D, column (f) (see instructions)	21		
22 Add lines 20 and 21. Enter total here and on Part I, line 1	22		

Section D.—Depreciation of Vehicles (You can only claim depreciation for a vehicle you own. If you use a vehicle 50 percent or less in a trade or business, you cannot claim the Section 179 deduction and you must figure depreciation using the straight line method over 5 years. For other limitations, see instructions.)

	Cost or other basis (a)	Basis for depreciation (Business use only—see instructions) (b)	Method of figuring depreciation (c)	Depreciation deduction (d)	Section 179 expense (e)	Total (column (d) + column (e)) (enter in Section C, line 21) (f)
Vehicle 1						
Vehicle 2						

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 2106

Employee Business Expenses

Items To Note

- If your employer provided a vehicle for your business use and included 100 percent of its fair rental value on your Form W-2, see the instructions for line 18, Part II. You may deduct a portion of the fair rental value if you use your actual expenses to figure your vehicle expense deduction.
- If a vehicle was used more than 50 percent for business in the year it was placed in service, and used 50 percent or less in a later year, part of the depreciation, Section 179 deduction, and investment credit may have to be recaptured. Figure the depreciation and Section 179 deduction recapture on Form 4797, and the investment credit recapture on Form 4255.

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	2 hrs., 17 min.
Learning about the law or the form	17 min.
Preparing the form	27 min.
Copying, assembling, and sending the form to IRS	35 min.

If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to the IRS or the Office of Management and Budget at the addresses listed in the instructions for Form 1040.

Who Must File

File this form if you are an employee and are deducting expenses attributable to your job.

Exceptions. Do not complete this form if either of the following applies:

- You account to your employer by means of an account book, diary, or similar statement; your business expenses equal your reimbursement; and the reimbursement was not included on your W-2 form. (If this exception applies, do not deduct the expenses or report the reimbursement as income.)
- You are not claiming job expenses for travel, transportation, meals or entertainment, and you were not reimbursed for any of the expenses you do claim. (Examples are educational expenses, uniforms, home office, and union dues.) If this exception applies, list the expenses directly on line 20 of Schedule A (Form 1040).

Qualified Performing Artists

If you are a qualified performing artist, your performing-arts related business expenses are deductible whether or not you itemize deductions on Schedule A. The expenses are not subject to the 2% limit that applies to most other employee business expenses. You must use Form 2106, but see the special instructions for Part I, line 17.

A qualified performing artist is an individual who (1) performed services in the performing arts as an employee for at least 2 employers in the tax year, (2) had allowable business expenses attributable to the performing arts of more than 10% of gross income from the performing arts, and (3) had adjusted gross income of $16,000 or less without including expenses as a performing artist.

Get **Pub. 529,** Miscellaneous Deductions, for more information.

Handicapped Employees Impairment-Related Work Expenses

If you are physically or mentally handicapped, the impairment-related work expenses you incur are not subject to the 2% limit that applies to most other employee business expenses. If you claim these impairment-related expenses, use Form 2106, but see the special instructions for Part I, line 17.

Impairment-related work expenses are the allowable expenses of a physically or mentally handicapped individual for attendant care at his or her place of employment. They also include other expenses in connection with the place of employment which enable the employee to work.

Get **Pub. 907,** Tax Information for Handicapped and Disabled Individuals, for more information.

If you are a qualified performing artist or an employee with impairment-related work expenses, indicate this in the occupation box at the top of Form 2106.

What parts of Form 2106 should be filled out?

How much you complete in Part I depends on whether or not you were reimbursed for any of your employee expenses.

If you were reimbursed for any expenses, fill out all of Part I.

If you were not reimbursed for any expenses, fill out only steps 1 and 4 of Part I.

You must complete Part II, including questions 8 through 10, if you claim a deduction for vehicle expenses. This is true whether or not you were reimbursed.

Line-by-Line Instructions

Part I

Line 2.—Enter parking fees, etc., that did not involve overnight travel. Do not include transportation expenses for commuting to and from work.

Line 3.—Enter expenses for lodging, transportation, and expenses connected with travel, baggage, etc., while away from home overnight. Do not include expenses for meals and entertainment.

Line 4.—Enter any other job-related expenses not listed on any other line on this form. Include expenses for business gifts, education (tuition and books), home office, trade publications, etc. If you are deducting home office expense, get **Pub. 587,** Business Use of Your Home, for special instructions on how to report your expenses.

Do not include expenses for:

- Meals and entertainment
- Taxes
- Interest

Interest expense and taxes you pay may be deductible on Schedule A (Form 1040).

Line 5.—Enter your allowable meals and entertainment expense. Include meals while away from your tax home overnight and other business meals and entertainment. Instead of actual cost, you may include your expenses for meals while away from your tax home overnight at $14 a day when you are in one general area less than 30 days, and $9 a day for all the days if you are in one general area 30 days or more. Get **Pub. 463,** Travel, Entertainment, and Gift Expenses, for more information.

Do not include on this line an expense for food or beverage that is part of a convention, seminar, annual meeting, etc. unless separately stated from other meeting expenses. Include this expense on line **4** instead. This rule only applies if at least 40 persons attend the meeting, more than 50 percent of whom are away from home overnight, and food and beverages are part of the program that includes a speaker.

Line 7.—If you were reimbursed by your employer for expenses, but your employer did not report the reimbursement on Form W-2 or Form 1099, enter that reimbursement here. Reimbursements may not have to be included on your Form W-2 if, for example, you submitted expense vouchers or other documentation to your employer reporting how much you spent.

If your employer pays you a single amount which covers both meals and entertainment, as well as other business expenses, you must allocate your reimbursement. See **Allocating Your Reimbursement,** under the instructions for line 11.

Line 11.—Enter the following amounts on this line:

- Amount from Part II, line 18.
- Amounts received from your employer that were identified to you as a reimbursement or expense allowance (1) from which your employer did **not** withhold Federal income tax; and (2) which your employer included as income on Form W-2 or Form 1099.

Example. Assume your employer pays you an expense allowance of $100 per week. You are not required to report to your

employer how much you spent. At the end of the year, your employer separately identifies the expense allowance on your Form W-2, or provides you with a separate Form W-2 reporting the allowance. No Federal income tax was withheld from the expense allowance. Report the allowance on line 11 of Form 2106.

Allocating Your Reimbursement. If your employer pays you a single amount which covers both meals and entertainment, as well as other business expenses, you must allocate the reimbursement so that you know how much to report in Column A and Column B of line 11 (or line 7).

Allocate your reimbursement on line 11 (or line 7) as follows: Divide your meal and entertainment expenses (line 5, Column B) by your total expenses (line 6, Column A plus Column B). Multiply that decimal by your reimbursement. The result is the amount of reimbursement attributable to your meals.

Report this amount in Column B of line 11 (or line 7). Subtract it from your total reimbursement to figure how much to report in Column A.

Example. Assume your employer paid you an expense allowance of $5,000 during 1988. You actually spent $6,500 during the year ($2,000 for meals and $4,500 for automobile expenses.) First, divide your meal expenses by your total expenses ($2,000/$6,500). The result is .31. Multiply this decimal by your reimbursement (.31 x $5,000). The result is $1,550 (the amount of reimbursement attributable to your meals). Report this amount on line 11, Column B. Report the remainder of the reimbursement ($5,000 – $1,550) or $3,450 in Column A.

Line 17.—If you are a **qualified performing artist** (defined on page 1), enter your performing-arts related expenses from line 17 on Form 1040, line 24, instead of on Schedule A.

If you are a **handicapped employee** claiming impairment-related work expenses (defined on page 1), enter the line 17 amount on Schedule A, line 25, instead of on Schedule A, line 20.

Part II

If you used two vehicles for business during the year, use a separate column for each vehicle in Sections A and C. If you used more than two, attach a computation following the format in Sections A, C, and D.

Line 1.—Date placed in service is the date you first start using your car for any purpose, whether personal or business. For example, if you first start using a car for personal use in February and convert it to business use in October, the car is considered placed in service in February, even though you cannot start depreciating it until October.

Line 2.—Enter the total mileage each vehicle was driven for all purposes during the year.

Caution: *If you changed your job during the year to one in which you started using a vehicle, enter only the total mileage for the months the vehicle was used in your job.*

After entering your business miles on line 3, figure your percentage of business use by dividing line 3 by line 2. Multiply that percentage by the number of months the car was used in your job, and divide the result by 12. Enter this percentage on line 4.

Line 3.—Do not include commuting mileage on this line.

Line 5.—Enter your average daily round trip commuting distance. If you go to a different business location each day, figure the average. Commuting mileage is the mileage from home to your first stop and from your last stop to home even if you do not go to the same location each day. This rule applies whether you are self-employed or not.

Line 6.—You may figure your total commuting mileage by multiplying line 5 by the number of days during the year you used each vehicle to and from work.

Section B—Standard mileage rate.—You may use the standard mileage rate instead of actual expenses to figure the deductible costs of operating a passenger car, including a van, pick-up, or panel truck. You cannot use the standard mileage rate if you ever took depreciation on that car using a method other than straight line. Nor may you use the standard mileage rate unless you used that method the first year you start using the car for business.

You may also be able to deduct interest on car loans and state and local personal property taxes if you itemize your deductions on Schedule A (Form 1040).

If you listed more than one vehicle on line 3, get **Pub. 917**, Business Use of a Car.

Line 13.—If your vehicle is fully depreciated, multiply line 11 by 11¢ (.11) a mile instead of 24¢. A vehicle is considered fully depreciated after 60,000 miles of business use at the maximum standard mileage rate.

Line 16.—Enter your total annual expenses for gasoline, oil, repairs, insurance, tires, license plates, or similar items. Do not include interest expense or state and local personal property taxes you paid. These expenses are deductible if you itemize your deductions on Schedule A (Form 1040).

Line 17.—If you rented or leased a vehicle during the year instead of using one you own, enter the cost of renting. However, you may have to include an amount in income. See Pub. 917. Also, include on this line any temporary vehicle rentals, such as when your car was being repaired.

Line 18.—If during the year your employer provided a vehicle for your business use, and included 100 percent of its fair rental value on your Form W-2, enter that amount on this line. Also, include that amount on Part I, line 11. If less than the full rental value was included on your W-2, such as where your employer reduced the value for business use based on your records, do not include any amount on this line, but see Pub. 917.

Section D.—Depreciation

Depreciation is an amount you can deduct over a certain number of years. In some cases, you may elect to expense, under Internal Revenue Code Section 179, part of your vehicle in the year of purchase. For more information on depreciation and the Section 179 deduction, get **Pub. 534,** Depreciation.

Limitations.—For purposes of figuring the amounts to enter in columns (d), (e), and (f):

- *Vehicles placed in service after December 31, 1986.*—Depreciation plus Section 179 deduction is limited to $2,560 the first year and $4,100 for the second year, multiplied by the percentage of business use (line 4, Part II).
- *Vehicles placed in service after April 2, 1985 and before January 1, 1987.*—Depreciation is limited to $4,800 the second and third year, multiplied by line 4, Part II.
- *Vehicles placed in service after June 18, 1984, and before April 3, 1985.*—Depreciation is limited to $6,200 ($6,000 if placed in service before January 1, 1985) multiplied by line 4, Part II.

Column (a).—Enter the vehicle's actual cost or other basis. If you traded in your vehicle, see Pub. 917 for the computation of basis. Reduce your basis by any diesel fuel tax credit. For any vehicle purchased after December 31, 1986, add to basis any sales tax paid on the vehicle.

Column (b).—Multiply column (a) by the percentage in line 4, Part II. From that result, subtract any Section 179 expense.

Column (c).— Use one of the following methods for figuring depreciation.

- *Vehicles placed in service after December 31, 1986.*—

Method 1. Enter "MACRS" and "20%" the first year of service, except if placed in service in the last 3 months of the year. In that case, enter "5%." For the second year of service enter "MACRS" and "32%."

Method 2. Straight-Line.—You can elect this method, but are required to use it if Part II, line 4, shows 50% or less. Enter "SL" and "10%" the first year of service except if placed in service in the last 3 months of the year. In that case, enter "2½%." For the second year of service enter "SL" and "20%."

- *Vehicles placed in service after June 18, 1984, and before January 1, 1987.*—

Method 1. Enter "ACRS" and "38%" the second year of service, and "37%" the third.

Method 2. Enter "SL" (for straight-line) and 3, 5, or 12 years.

Method 3. You must use this method if Part II, line 4, shows 50% or less. Enter "SL" (for straight-line) and "20%" the second, third, and fourth years of service.

Column (d).—Multiply column (b) by column (c) unless you used method 2 above (before 1/1/87). In that case, divide column (b) by column (c), and if this is the first or last year of depreciating the vehicle, divide the result by 2.

Column (e).—If this is the first year the vehicle was placed in service, and you are taking a deduction under Section 179, enter the cost multiplied by line 4, Part II, but not more than $2,560 multiplied by line 4, Part II. Enter in column (e) no more than the excess of your income over your deductions from your trade or business. If line 4, Part II, shows 50% or less, enter zero.

Column (f).—Add columns (d) and (e), but do not enter more than the limitation listed above. If during the year you sold or exchanged your vehicle that was placed in service before January 1, 1987, enter zero in column (f) for that vehicle.

Form **2119**

Department of the Treasury
Internal Revenue Service (L)

Sale of Your Home

▶ See Separate Instructions

▶ Attach to Form 1040 for year of sale.

OMB No. 1545-0072

1988

Attachment Sequence No. **22**

Please Type or Print

Your first name and initial (If joint, also give spouse's name and initial.) | Last name | **Your social security number**

Present home address (no., street, and apt. no., or rural route) (or P.O. box no. if mail is not delivered to street address) | **Spouse's social security number**

City, town, or post office, state, and ZIP code

Part I Facts About You and Your Home

1a Date former main home was sold ▶

b Enter the face amount of any mortgage, note (for example, second trust), or other financial instrument on which you will receive periodic payments of principal or interest from this sale. (See Instructions for line 1b.) ▶ $

	Yes	No
2a Have you bought or built a new main home?		
b Are any rooms in either main home rented out or used for business for which a deduction is allowed? (If "Yes," see Instructions.)		
3a Were you 55 or older on date of sale?		
b Was your spouse 55 or older on date of sale? **If you answered "No" to 3a and 3b, do not complete 3c through 3f or Part III.**		
c Did the person who answered "Yes" to 3a or 3b own and use the property sold as a main home for a total of at least 3 years (except for short absences) of the 5-year period before the sale?		
d **If you answered "Yes" to 3c, do you choose to take the one-time exclusion of the gain on the sale?**		
e At time of sale, who owned the home? ☐ you ☐ your spouse ☐ both of you		
f Social security number of spouse, at time of sale, if different from above ▶ (Enter "None" if you were not married at time of sale.)		

Part II Figure Your Gain (Do not include amounts that you deduct as moving expenses.)

4	Selling price of home. (Do not include personal property items.)	**4**	
5	Expense of sale. (Include sales commissions, advertising, legal, etc.)	**5**	
6	Subtract line 5 from line 4. This is the amount realized	**6**	
7	Basis of home sold	**7**	
8a	Subtract line 7 from line 6 (gain on sale). If zero or less, enter zero and do not complete the rest of the form. Enter the gain from this line on Schedule D, line 3 or 10,* unless you bought another main home or checked "Yes" to 3d. Then continue with this form	**8a**	

b If you haven't replaced your home, do you plan to do so within the replacement period? ☐ Yes ☐ No
(If "Yes," see Instructions under When and Where To File.)

Part III If Age 55 or Older, Figure Your One-Time Exclusion *(Complete this part only if you checked "Yes" to 3d.)*

9	Enter the **smaller** of line 8a or $125,000 ($62,500, if married filing separate return) (see Instructions)	**9**	
10	Subtract line 9 from line 8a (gain). If zero, do not complete rest of form. Enter the gain from this line on Schedule D, line 10,* unless you bought another main home. Then continue with this form	**10**	

Part IV Figure Gain To Be Postponed and Adjusted Basis of New Home *(Complete this part if you bought another main home.)*

11	Fixing-up expenses. (See Instructions for time limits.)	**11**	
12	Subtract line 11 from line 6 (adjusted sales price)	**12**	
13a	Cost of new home	**13a**	
b	Enter the date you moved into your new main home ▶		
14	Subtract line 13a plus line 9 (if applicable) from line 12. If result is zero or less, enter zero. Do not enter more than line 8a or line 10 (if applicable). This is the gain taxable this year. Enter the gain from this line on Schedule D, line 3 or 10*	**14**	
15	Subtract line 14 from line 8a. **However**, if you completed Part III, subtract line 14 from line 10. (This is the gain to be postponed.)	**15**	
16	Subtract line 15 from line 13 (adjusted basis of new main home)	**16**	

***Caution:** If you completed Form 6252 for the home in 1a, do not enter your taxable gain from Form 2119 on Schedule D.

Please Sign Here

Under penalties of perjury, I declare that I have examined this form, including attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

Your signature | Date | Spouse's Signature | Date

(If joint return, both must sign.) (Sign and date only if **not** attached to your tax return.)

For Paperwork Reduction Act Notice, see separate Instructions.

Form **2119** (1988)

1988 Department of the Treasury
Internal Revenue Service

Instructions for Form 2119

Sale of Your Home

(Section references are to the Internal Revenue Code.)

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	46 min.
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Preparing the form	42 min.
Copying, assembling, and sending the form to IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Who Must File.—You must use Form 2119 to report the sale of your main home even if you had a loss. If you had a gain, use this form to postpone paying tax on it. If you were age 55 or older on the date you sold your home and certain other conditions are met, you can choose to exclude all or part of the gain from your income. See the instructions for Part III.

If you sold your home on the installment method, complete **Form 6252,** Installment Sale Income, and Form 2119.

Get **Pub. 523,** Tax Information on Selling Your Home, for more information.

Main Home.—You file Form 2119 only for the sale of your main home. It can be a house, a houseboat, housetrailer, cooperative apartment, condominium, etc. If you have more than one home, your main home is the one you live in most of the time.

Replacement Period for Postponing Gain.—If you buy or build, and move into another main home within the replacement period, you must usually postpone paying tax on all or part of the gain. (See instructions for Part IV.) The replacement period is 48 months. It runs from 2 years before to 2 years after you sell your former home.

If at the time or after you sell your former main home, you are on active duty in the U.S. Armed Forces for more than 90 days, or if you live and work outside the U.S., you have a longer replacement period. Get Pub. 523 for details.

When and Where To File.—File Form 2119 with your tax return for the year of sale even if you did not replace your home.

If you plan to replace the home, but have not done so by the time you file your return, complete lines 1 and 2 and Part II only. Do not enter on Schedule D the gain from line 8a of Form 2119. See the following instructions for filing a second Form 2119.

If you had a gain on the sale and did not replace your home by the time you file your tax return, you may have to file a second Form 2119 at a later date. The following tells when another Form 2119 is required and how to file it.

- File a second Form 2119 if, after you file your return, you replace your home within the replacement period.

If the new home costs at least as much as the adjusted sales price of the old home (line 12), no tax is due. But, you must still file the form. Send it to the place you would file your next tax return based on the address where you live. You must enter your name, address, signature, and the date, since the form will not be attached to your return.

If the new home costs less than the adjusted sales price of the old home (line 12), part of your gain will have to be included in income for the year of sale. In this case, amend your tax return for the year of sale using **Form 1040X,** Amended U.S. Individual Income Tax Return. Fill out and attach Form 2119 to Form 1040X, along with Schedule D (Form 1040) showing the gain. Interest will be charged on any additional tax due.

- If, when you filed your return, you had planned to replace your home within the replacement period, but later you did not do so, your entire gain is taxable for the year of sale. Amend your tax return for that year using Form 1040X. Fill out and attach Form 2119 to Form 1040X, along with Schedule D (Form 1040) showing the gain.
- If, when you filed your return, you paid taxes on the gain because you had not planned to replace your residence, but you later did replace it within the replacement period, you can claim a refund for part or all of those taxes. Claim the refund by filing Form 1040X for the year of sale. Attach Form 2119.

Part III—One-Time Exclusion for People Age 55 or Older.—Generally, you can choose to exclude from your income up to $125,000 ($62,500 if married filing a separate return) of the gain from the sale of your main home. (See the instructions for line 9.) You make this choice by answering "Yes" to question 3d in Part I, and by filling in Part III. But, you must meet all of the following tests:

1. You or your spouse were age 55 or older on the date of sale.
2. Neither you nor your spouse has made this choice before.
3. The person who was age 55 or older owned and lived in your home for periods adding up to at least 3 years within the 5 years ending on the date of sale.

As long as you meet the above tests, you can choose the exclusion for the sale of any main home you wish. However, you can make the choice only once in your lifetime.

The gain you exclude is never taxed. But, if the gain is more than the amount you are allowed to exclude, the excess is either included in your income in the year of sale, or it is postponed as explained in Part IV. Generally, you can make or revoke the choice within 3 years from the due date (including extensions) of your tax return for the year of sale. Use Form 1040X with Form 2119 attached to amend your return.

Married Taxpayers. If you and your spouse own the property jointly and file a joint return, only one of you must meet the age, ownership, and use tests to be able to make the choice. If you do not own the property jointly, the spouse who owns the property must meet these tests.

If you are married at the time of sale, both you and your spouse must agree to exclude the gain. If you do not file a joint return with that spouse, your spouse must agree to exclude the gain by signing a statement saying, "I agree to the Part III election." The statement and signature may be made on a separate piece of paper or in the bottom margin of Form 2119.

If you sell a home while you are married, and one spouse already made an election prior to the marriage, neither of you can exclude gain on the sale.

The choice to exclude gain does not apply separately to you and your spouse. If you choose to exclude gain during marriage and later divorce, neither of you can make the choice again.

Part IV—Postponing Gain.—If you buy or build, and move into another main home within the replacement period, you must usually postpone paying tax on all or part of the gain. If your new home costs at least as much as the adjusted sales price (line 12) of your old home, you must postpone paying tax on the entire gain. If it costs less, in most cases you must postpone paying tax on part of the gain.

If you sell your new home in a later year and do not replace it, the gain on which you postponed the tax will be taxed then. If you do replace it, you must continue to postpone paying tax on the gain. If you bought more than one main home during the replacement period, only the last one you bought qualifies as your new home for postponing the tax.

During the replacement period, any sale after the first one does not qualify for postponing tax, unless you sold the home because of a job change and you qualify for a moving expense deduction. Get **Pub. 521,** Moving Expenses, for details.

Applying Separate Gain to Basis of New Home.—If the old home was owned by only one spouse, but you and your spouse own the new home jointly, you and your spouse may elect to divide the gain and the adjusted basis. If you owned the old home jointly, and you own new homes separately, you may elect to divide the gain to be postponed. In both situations, you both must:

1. Use the old and new homes as your main homes; and

2. Sign a statement that says, "We agree to reduce the basis of the new home(s) by the gain from selling the old home(s)." This statement can be made in the bottom margin of Form 2119 or on an attached sheet. If both of you do not sign, you must figure gain to be taxed in the regular way without allocation.

Line-by-Line Instructions

Line 1b.—If you report the sale of your home on Form 6252, using the installment method, fill out Form 2119 first. Do not enter the taxable gain from line 8a of Form 2119 on Schedule D (Form 1040).

Line 2b.—If you rent out any rooms, or use part of your home for business for which you take a deduction on your tax return, check "Yes." Report the part of the gain that applies to such use on **Form 4797,** Sales of Business Property, and subtract it from line 8a or line 10 of Form 2119. You cannot postpone tax or take the exclusion on the part of the gain that is reported on Form 4797.

Line 4—Selling Price of Home.—Enter the amount of money you received, plus the amount of all notes, mortgages, or other debts that are part of the sale, and the fair market value of any other property you received.

Note: *Report interest received on a note as income for the tax year in which you received it.*

Line 5—Expense of Sale.—Enter your expense of sale, such as commissions, advertising expenses, attorney and legal fees, you paid in selling the old home. Loan charges, such as points charged the seller, are selling expenses.

Line 7—Basis of Home Sold.—Include the original cost of the home, commissions, and other expenses you paid when you bought the home, plus the cost of improvements. Subtract any depreciation, casualty losses, or energy credits you took on your tax return(s), and the postponed gain on the sale or exchange of a previous home. Get **Pub. 551,** Basis of Assets, for details.

Line 9—One-Time Exclusions.—Enter the smaller of the gain on line 8a or $125,000 ($62,500 if you are married filing a separate return). However, see Pub. 523 if either of the following is true:

- Before you and your spouse were married, either of you sold a home and was age 55 or older at the time of that sale.
- You are now single but sold a home while you were married, and at the time of sale, you or your spouse was age 55 or older.

Line 11—Fixing-Up Expenses.—These are expenses for decorating and repairing to help sell your old home. Include on line 11 only expenses for work performed within 90 days before the contract to sell was signed **and** that you paid for within 30 days after the sale. Do not include capital expenses for permanent improvements or replacements. These are added to the basis of the property sold.

Line 13—Cost of New Home.—The cost of your new home includes one or more of the following:

(a) cash payments;

(b) the amount of any mortgage or other debt on the new home;

(c) commissions and other purchase expenses you paid that were not deducted as moving expenses;

(d) construction costs made within 2 years before and 2 years after the sale of the old home (when you build your own home, do not include the value of your own labor);

(e) if you buy rather than build your new home, all capital expenses made within 2 years before and 2 years after the sale of the old home.

Name and Signature.—Enter your name and social security number. You do not need to enter your address or to sign and date Form 2119 if you attach it to your Form 1040 or Form 1040X. But, you must enter your address, sign, and date it if you send it in by itself. If this Form 2119 is for you and your spouse, you both must sign it.

Form **2120**
(Rev. August 1988)

Department of the Treasury—Internal Revenue Service

Multiple Support Declaration

OMB No. 1545-0071
Expires 6-30-91
Attachment
Sequence No. **50**

During the calendar year 19 ____, I paid more than 10% of the support of

.....
(Name of person)

I could have claimed this person as a dependent except that I did not pay more than 50% of his or her support. I understand that this person is being claimed as a dependent on the income tax return of

.....
(Name)

.....
(Address)

I agree not to claim an exemption for this person on my Federal income tax return for any tax year that began in this calendar year.

.....
(Your signature)

.....
(Your social security number)

.....
(Date)

.....
(Address)

For Paperwork Reduction Act Notice, see back of form.

Form **2120** (Rev. 8-88)

Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue Laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The estimated average time needed to complete this form, depending on individual circumstances, is 5 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose.—When two or more persons together pay over 50% of a dependent's support, Form 2120 is used to allow one person to claim the dependent for tax purposes.

General Information.—To claim an exemption for a dependent, you must pay over 50% of the person's living expenses (support). However, sometimes no one person pays over 50%. Instead, two or more people do as a group If each could have claimed the dependent but for the 50% support rule, then one person in the group can still claim the dependent.

All people who paid more than 10% of the support should decide who will claim the dependent. If you are chosen, you can claim the dependent if:

- you paid over 10% of the support, AND
- all others who paid over 10% agree not to claim the dependent.

How to File.—The people who agree not to claim the dependent do so by each signing Form 2120. They give the signed forms to the person who does claim the dependent.

If you are the one who claims the dependent, attach all Forms 2120 from the others to YOUR return. You must meet all of the other rules for claiming dependents. See **Pub. 501,** Exemptions, Standard Deduction, and Filing Information

Form **2441**

Department of the Treasury
Internal Revenue Service (L)

Credit for Child and Dependent Care Expenses

▶ **Attach to Form 1040.**
▶ **See instructions below.**

OMB No. 1545-0068

1988

Attachment Sequence No. **23**

Name(s) as shown on Form 1040 | **Your social security number**

Note: *If you paid cash wages of $50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get* ***Form 942*** *for details.*

1 Enter number of qualifying persons who were cared for in 1988. (See instructions for definition of qualifying persons.) ▶ | 1
Caution: *To qualify, the person(s)* ***must*** *have shared the same home with you in 1988.*

2 Enter the amount of **qualified** expenses you incurred and actually paid in 1988 for the care of the qualifying person. (See **What Are Qualified Expenses?** in the instructions.) **Do not** enter more than $2,400 ($4,800 if you paid for the care of two or more qualifying persons) . . . . . | 2

3a You **must** enter your earned income on line 3a. See line 3 instructions for definition of earned income . . . . . | 3a

b If you are married, filing a joint return for 1988, you must enter your spouse's earned income on line 3b. (If spouse is a full-time student or is disabled, see the line 3 instructions for amount to enter.) . . | 3b

c If you are married filing a joint return, compare the amounts on lines 3a and 3b, and enter the **smaller** of the two amounts on line 3c . . . . . | 3c

4 • If you were unmarried at the end of 1988, compare the amounts on lines 2 and 3a, and enter the **smaller** of the two amounts on line 4.
• If you are married filing a joint return, compare the amounts on lines 2 and 3c, and enter the **smaller** of the two amounts on line 4. . . . . | 4

5 Enter decimal amount from table below that applies to the adjusted gross income on Form 1040, line 31 | 5 | × .

If line 31 is: Over—	But not over—	Decimal amount is:
$0	10,000	.30
10,000	12,000	.29
12,000	14,000	.28
14,000	16,000	.27
16,000	18,000	.26
18,000	20,000	.25
20,000	22,000	.24
22,000	24,000	.23
24,000	26,000	.22
26,000	28,000	.21
28,000		.20

6 Multiply the amount on line 4 by the decimal amount on line 5, and enter the result . . . . . | 6

7 Multiply any child and dependent care expenses for 1987 that you paid in 1988 by the percentage that applies to the adjusted gross income on your 1987 Form 1040, line 31, or Form 1040A, line 13. Enter the result. (See line 7 instructions for the required statement.) . . . . . | 7

8 Add amounts on lines 6 and 7. See the worksheet in the instructions for line 8 for the amount of credit you can claim . . . . . | 8

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	20 minutes
Learning about the law or the form	11 minutes
Preparing the form	16 minutes
Copying, assembling, and sending the form to IRS	17 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of Form 1040.

What Is the Child and Dependent Care Expenses Credit?

You may be able to take this credit if you paid someone to care for your child or other qualifying person so you could work or look for work in 1988. The credit may be as much as $720 ($1,440 if two or more qualifying persons were cared for).

Additional information.—For more details, please get **Pub. 503,** Child and Dependent Care Credit.

Who Is a Qualifying Person?

A qualifying person is:

- Any person under age 15 whom you claim as a dependent (but see **Children of divorced or separated parents**).
- Your disabled spouse who is mentally or physically unable to care for himself or herself.
- Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of $1,950 or more.

Children of divorced or separated parents.—If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 1988, you may be able to claim the credit even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person if **all five** of the following apply:

1. You had custody of the child for the longer period during the year; and

2. The child received over half of his or her support from one or both of the parents; and

3. The child was in the custody of one or both of the parents over half of the year; and

4. The child was under age 15, or was physically or mentally unable to care for himself or herself; and

5. The child is not your dependent because—

a. As the custodial parent, you have signed **Form 8332**, or a similar statement, agreeing not to claim the child's exemption for 1988; or

b. You were divorced or separated before 1985 and your divorce decree or written agreement states that the other parent can claim the child's exemption, and the other parent provides at least $600 in child support during the year. **Note:** *This rule does not apply if your decree or agreement was changed after 1984 to specify that the other parent cannot claim the child's exemption.*

Who May Take the Credit?

To claim the credit, **all five** of the following must apply:

(Continued on back)

1. You paid for the care so you (and your spouse if you were married) could work or look for work (but see **Spouse who is a full-time student or is disabled**).

2. You and the qualifying person(s) lived in the same home.

3. You (and your spouse if you were married) paid over half the cost of keeping up your home. The cost includes: rent; mortgage interest; property taxes; utilities; home repairs; and food eaten at home.

4. The person you paid to provide the care was not your spouse or a person you could claim as a dependent.

Note: *If you paid your child to provide the care, he or she must have been 19 or older by the end of 1988.*

5. If you were married at the end of 1988, generally, you must file a joint tax return. But you will be treated as unmarried and still be eligible to take the credit if:

a. You were legally separated; or

b. You were living apart from your spouse during the last 6 months of the year, the qualifying person lived with you in your home over 6 months, and you provided over half the cost of keeping up your home.

What Are Qualified Expenses?

Qualified expenses include amounts paid for household services and care of the qualifying person while you work or look for work. Child support payments are **not** qualified expenses.

Household services.—These services must be needed to care for the qualifying person as well as to run the home. They include, for example, the services of a cook, maid, babysitter, housekeeper, or cleaning person if the services were partly for the care of the qualifying person. Do not include services of a chauffeur or gardener.

Note: *If you paid cash wages of $1,000 or more for household services in any calendar quarter in 1987 or 1988, you should file a* ***Form 940*** *for 1988 by January 31, 1989.*

Care of the qualifying person.—Care includes the cost of services for the qualifying person's well-being and protection. It does not include the cost of clothing or entertainment.

You may count care provided outside your home if the care was for your dependent under age 15, or any other qualifying person who regularly spends at least 8 hours a day in your home.

Generally, care does not include food or schooling expenses. However, if these items are included as part of the total care, and they are incident to, and cannot be separated from, the total cost, you may count the total payment. However, you may not count the cost of schooling for a child in the first grade or above, or the expenses for sending your child to an overnight camp.

Medical expenses.—Some dependent care expenses may qualify as medical expenses. If you itemize deductions, you may want to take all or part of these medical expenses on Schedule A (Form 1040). Get Pub. 503 for details.

Specific Instructions

Line 2. Dollar limit.—Enter the amount of qualified expenses you incurred and actually paid in 1988. But the most you may figure the credit on is $2,400 a year for one qualifying person, or $4,800 a year for two or more qualifying persons. Do not include amounts paid or incurred by your employer to the extent they are excluded from gross income.

Note: *Do not include on line 2 qualified expenses that you incurred in 1988 but did not pay until 1989. Instead, you may be able to increase your 1989 credit when you pay the 1988 expenses in 1989.*

Line 3. Earned income limit.—The amount of your qualified expenses **may not** be more than your earned income or, if married filing a joint return, the **smaller** of your earned income or your spouse's earned income.

In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment. This is usually the amount shown on Schedule SE (Form 1040), line 3 (or 3c if you file section B).

Unmarried taxpayers.—If you were unmarried at the end of 1988 or are treated as being unmarried at the end of the year, enter your earned income on line 3a.

Married taxpayers.—If you are married, filing a joint return, disregard community property laws. Enter your earned income on line 3a and your spouse's earned income on line 3b. Then, enter the smaller of the two incomes on line 3c. If your spouse died in 1988, had no earned income, and you file a joint return for 1988, see Pub. 503.

Spouse who is a full-time student or is disabled.—If your spouse was a full-time student or was mentally or physically unable to care for himself or herself, figure your spouse's earned income on a monthly basis to determine your spouse's earned income for the year. For each month that your spouse was disabled or a full-time student, your spouse is considered to have earned income of not less than $200 a month ($400 a month if more than one qualifying person was cared for in 1988).

If, in the same month, both you and your spouse were full-time students and did not work, you may not use any amount paid that month to figure the credit. The same applies to a couple who did not work because neither was capable of self-care.

A full-time student is one who was enrolled in a school for the number of hours or classes that the school considers full time. The student must have been enrolled during each of 5 months during 1988. The months need not be consecutive.

Self-employment income.—You must reduce your earned income by any loss from self-employment. If your net earnings from self-employment are less than $1,600, and you use the optional method to figure your self-employment tax, you may be able to increase your net earnings to $1,600 for this credit. Get **Pub. 533,** Self-Employment Tax, for details. If you only have a loss from self-employment, or your loss is more than your other earned income and you do not use the optional method, you may not take the credit.

Line 7.—If you had qualified expenses for 1987 that you did not pay until 1988, you may be able to increase the amount of credit you may take in 1988. To do this, multiply the 1987 expenses you paid in 1988 by the percentage from the table on line 5 that applies to the adjusted gross income shown on your 1987 Form 1040, line 31, or Form 1040A, line 13. Your 1987 expenses must be within the 1987 limits. Attach a computation showing how you figured the increase.

Line 8.—In certain cases, the amount of credit you figured on line 8 may be limited. Some taxpayers will need to complete **Form 6251,** Alternative Minimum Tax—Individuals, because the computation of this limit uses an amount from line 15 of that form. Other taxpayers, however, will not be affected by the limit and will not need Form 6251. The following will help you determine if you need Form 6251.

First, complete line 1 of the worksheet below.

Get Form 6251 if:

- You filed Schedule C, D, E, or F (Form 1040); **OR**
- The amount you enter on line 1 of the worksheet below is more than: $112,500 for single or head of household; $150,000 for married filing jointly; or $75,000 for married filing separately.

If **either** of the above applies to you, complete Form 6251 through line 15. Skip lines 2 through 6 of the worksheet and go directly to line A of the worksheet.

If **neither** of the above applies to you, continue with line 2 of the worksheet. You may still need to get Form 6251.

1. Enter the amount from Form 1040, line 23 (Add to line 1 any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction.)	
2. Enter: $30,000 if single or head of household; $40,000 if married filing jointly; or $20,000 if married filing separately	
3. Subtract line 2 from line 1. If the result is zero or less, **STOP HERE** and enter on Form 1040, line 41, the amount of your credit shown on line 8 of Form 2441. Otherwise, go on to line 4	
4. Enter the amount from Form 1040, line 40	
5. Multiply line 3 by .21	
6. Subtract line 5 from line 4 (if zero or less, enter zero)	

Compare line 6 of the worksheet with the amount of credit shown on Form 2441, line 8.

- **If line 6 (above) is more than your credit,** you do not have to complete Form 6251. Enter on Form 1040, line 41, the amount of your credit shown on Form 2441, line 8.
- **If your credit is more than the amount on line 6 (above),** get Form 6251 and complete it through line 15. Then figure the limit on your credit as follows.

A. Enter amount from Form 1040, line 40	
B. Enter the amount from Form 6251, line 15	
C. Maximum credit. Subtract line B from line A (if zero or less, enter zero)	

Compare the credit you first figured on line 8 of Form 2441 with line C above. Enter the **smaller** of the two amounts on line 8 of Form 2441, and on Form 1040, line 41. If line C above is the smaller amount, also write "AMT" in the left margin next to line 41.

Form **2688**

Department of the Treasury
Internal Revenue Service

Application for Additional Extension of Time To File U.S. Individual Income Tax Return

(See back for filing instructions. Be sure to complete all items.)

OMB No. 1545-0066

1988

Attachment Sequence No. **59**

Please type or print. **File the original and one copy by the due date for filing your return.**	Your first name and initial (if joint return, also give spouse's name and initial) Last name	**Your social security number**
	Present home address (number, street, and apt. no. or rural route). (If you have a P.O. box, see the instructions.)	**Spouse's social security number**
	City, town or post office, state, and ZIP code	

If you or your spouse expect to file a gift tax return (Form 709 or 709-A) for 1988, generally due by April 17, 1989, see the instructions, and check here . . . . . Yourself . . ▶ ☐ Spouse . . ▶ ☐

1 I request an extension of time until _____, 19 ____, to file Form 1040A or Form 1040 for the calendar year 1988, or other tax year ending _____, 19 ____.

2 Have you previously requested an extension of time to file for this tax year? . . . . . ☐ Yes ☐ No

3 Explain why you need an extension _____

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and, if prepared by someone other than the taxpayer, that I am authorized to prepare this form.

Signature of taxpayer ▶ _____ Date ▶ _____

Signature of spouse ▶ _____ Date ▶ _____
(If filing jointly, BOTH must sign even if only one had income)

Signature of preparer other than taxpayer ▶ _____ Date ▶ _____

File original and one copy. IRS will show below whether or not your application is approved and will return the copy.

Notice to Applicant—To Be Completed by IRS

☐ We **HAVE** approved your application. (Please attach this form to your return.)

☐ We **HAVE NOT** approved your application. (Please attach this form to your return.)
However, because of your reasons stated above, we have granted a 10-day grace period from the date shown below or due date of your return, whichever is later. This grace period is considered to be a valid extension of time for elections otherwise required to be made on returns filed on time.

☐ We **HAVE NOT** approved your application. After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ We **HAVE NOT** approved your application. The maximum extension of time allowed by law is 6 months.

☐ Other _____

_____
Director

_____
Date

By _____

For Paperwork Reduction Act Notice, see back of form.

Form **2688** (1988)

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Learning about the law or the form	7 min.
Preparing the form	8 min.
Copying, assembling, and sending the form to IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Purpose

Use Form 2688 to ask for more time to file **Form 1040A** or **Form 1040.** Use it only if you already asked for more time on **Form 4868,** and that time was not enough. (Form 4868 is the "automatic" extension form.)

To get the extra time you MUST:

1. File Form 2688 on time, AND
2. Have a good reason why the first 4 months were not enough. Explain the reason on line 3.

Generally, we will not give you more time to file just for the convenience of your tax return preparer. However, if the reasons for being late are beyond his or her control, or if despite a good effort you cannot get professional help in time to file, we will usually give you the extra time.

We usually do not approve Form 2688 unless Form 4868 is filed first. We will make an exception to this rule only for undue hardship. You must clearly explain this reason on line 3.

You cannot have IRS figure your tax if you file after the regular due date of your return.

Note: *An extension to file a 1988 calendar year income tax return also extends the time to file a gift tax return for 1988.*

If you live abroad.—U.S. citizens or resident aliens living abroad may qualify for special tax treatment if they meet the required residence or presence tests. If you do not expect to meet either of those tests by the due date of your return, request an extension to a date after you expect to qualify. Ask for it on **Form 2350,** Application for Extension of Time To File U.S. Income Tax Return. See **Pub. 54,** Tax Guide for U.S. Citizens and Resident Aliens Abroad.

Total Time Allowed

We can extend the due date of your return for no more than 6 months. This includes the 4 extra months allowed by Form 4868. (There may be an exception if you live abroad. This is discussed above.)

When To File Form 2688

File Form 2688 by the due date of your return (April 17, 1989, for a calendar year return), or extended due date if you filed Form 4868. For most taxpayers, this is by August 15, 1989.

Be sure to file Form 2688 early, so that if your request is not approved, you can still file your return on time.

Out of the country.—You may have been allowed 2 extra months to file if you were a U.S. citizen or resident out of the country on the due date of your return. For this purpose, "out of the country" means you meet one of the following conditions: (1) You live outside the U.S. and Puerto Rico, AND your main place of business is outside the U.S. and Puerto Rico; or (2) You are in military or naval service outside the U.S. and Puerto Rico.

Where To File

Make an extra copy of Form 2688. ***Mail both the original and the copy*** to the IRS address where you send your return.

Filing Your Tax Return

You may file Form 1040A or Form 1040 any time before your extra time is up. But remember, Form 2688 does not extend the time to pay these taxes. If you do not pay the amount due by the regular due date, you will owe interest. You may also be charged penalties.

Interest.—You will owe interest on tax not paid by the regular due date of your return. The interest runs until you pay the tax. Even if you had a good reason not to pay on time, you will still owe interest.

Late payment penalty.—Generally, the penalty is ½ of 1% of any tax (other than estimated tax) not paid by the regular due date. It is charged for each month, or part of a month, that the tax is unpaid. You might not owe this penalty if you have a good reason for not paying on time. Attach a statement to your return explaining the reason.

Late filing penalty.—A penalty is usually charged if your return is filed after the due date (including extensions). It is 5% of the tax not paid by the regular due date for each month, or part of a month, that your return is late. The most you have to pay is 25%. If your return is more than 60 days late, the penalty will not be less than $100 or the balance of tax due on your return, whichever is smaller. You might not owe the penalty if you have a good reason for filing late. Attach a full explanation to your return if you file late.

How to claim credit for payment made with this form.—When you file your return, show the amount of any income tax payment you sent with Form 2688. Form 1040A filers should enter the payment on line 24 and write "Form 2688" in the space to the left. Form 1040 filers should enter it on line 57.

If you and your spouse each filed a separate Form 2688, but later file a joint return for 1988, then enter the total paid with the two Forms 2688 on the correct line of your joint return.

If you and your spouse jointly filed Form 2688, but later file separate returns for 1988, you may enter the total amount paid with Form 2688 on either of your separate returns. Or, you and your spouse may divide the payment in any agreed amounts. Be sure each separate return has the social security numbers of both spouses.

Specific Instructions

Name, address, and social security numbers.—Write your name, address, social security number, and spouse's social security number if filing a joint return. If the post office does not bring mail to your street address and you have a P.O. box, write your P.O. box number instead of your street address.

Gift tax return filers.—If you or your spouse expect to file **Form 709** or **709-A** for 1988, check whichever box applies. However, if your spouse is filing a separate Form 2688, do not check the box for your spouse.

Line 3.—Clearly describe the reasons that will delay your return. We cannot accept incomplete reasons, such as "illness" or "practitioner too busy," without adequate explanations. If it is clear that you have no important reason, but only want more time, we will deny your request. The 10-day grace period will also be denied.

If because of undue hardship you are filing Form 2688 without filing Form 4868 first, clearly explain why on line 3. Attach any information you have that helps explain the hardship.

Caution: *If we give you more time to file and later find that the statements made on this form are false or misleading, the extension is null and void. You will owe the late filing penalty, explained above.*

Your signature.—This form must be signed. If you plan to file a joint return, then both of you should sign. But if there is a good reason why one of you cannot, then the other spouse may sign for both. Attach an explanation why the other spouse cannot sign.

Others who can sign for you.—Anyone with a power of attorney can sign. But, the following can sign for you without a power of attorney:

- Attorneys, CPAs, and other persons qualified to practice before the IRS, or
- A person in close personal or business relationship to you who is signing because you cannot. There must be a good reason why you cannot sign. Attach an explanation to the form.

Form **2758**
(Rev. October 1988)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File
Fiduciary and Certain Other Returns

▶ **File a separate application for each return.**

OMB No. 1545-0148
Expires: 10-31-90

Please type or print.
File the original and one copy by the due date for filing your return. (See instructions on back.)

Name

Number and street (or P.O. Box number if mail is not delivered to street address)

City or town, state, and ZIP code

Employer identification number

Farmers' cooperative associations filing Form 990-C, corporate exempt organizations filing Form 990-T, funds filing Form 1120-ND, political or exempt organizations filing Form 1120-POL, or S corporations filing Form 1120S, use Form 7004. Partnerships filing Form 1065 and trusts filing either Form 1041 or Form 1041S, use Form 8736.

1 An extension of time until _____ is requested in which to file (check only one):

☐ Form 706GS (D) ☐ Form 990-BL ☐ Form 990-T (trust other than above) ☐ Form 1066 ☐ Form 4720 ☐ Form 8612
☐ Form 706GS (T) ☐ Form 990-PF ☐ Form 1041 (estate) ☐ Form 1120-ND (4951 taxes) ☐ Form 5227 ☐ Form 8613
☐ Form 990 ☐ Form 990-T (401(a) or 408(a) trust) ☐ Form 1041-A ☐ Form 3520-A ☐ Form 6069 ☐ Form 8725

If organization does not have an office or place of business in the United States, check this box . . . . . ▶ ☐

2 For calendar year 19____, or other tax year beginning _____ and ending _____

3 Has an extension of time to file been previously granted for this tax year? . . . . . ☐ Yes ☐ No

4 State in detail why you need the extension _____

5a If this form is for Form 706GS(D), 706GS(T), 990-BL, 990-PF, 990-T, 1041 (estate), 1066, 1120-ND, 4720, 6069, 8612, 8613, or 8725, enter the tentative tax. See the instructions . . . . . $ _____

b If this form is for Form 990-PF, 990-T, or 1041 (estate), enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. See the instructions . . . . . $ _____

c Balance due (subtract line 5b from line 5a). Include your payment with this form, or deposit with FTD Coupon if required. See the instructions . . . . . $ _____

Caution: *Interest will be charged on any tax not paid by the regular due date of the returns filed on forms listed above until the tax is paid.*

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature ▶ Date ▶

File original and one copy. IRS will show below whether or not your application is approved and will return the copy.

Notice to Applicant—To Be Completed by IRS

☐ We **HAVE** approved your application. (Please attach this form to your return.)

☐ We **HAVE NOT** approved your application. (Please attach this form to your return.) However, because of your reasons stated above, we have granted a 10-day grace period from the date shown below or due date of your return, whichever is later. This 10-day grace period is considered to be a valid extension of time for purposes of elections otherwise required to be made on timely filed returns.

☐ We **HAVE NOT** approved your application. After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ Other _____

_____ Director
Date By

If the copy of this form is to be returned to an address other than that shown above, please enter the address where the copy should be sent.

Please Type or Print

Name

Number and street (or P.O. Box number if mail is not delivered to street address)

City or town, state, and ZIP code

For Paperwork Reduction Act Notice, see back of form. Form **2758** (Rev. 10-88)

General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form varies depending on individual circumstances. The average estimated time is:

Recordkeeping	3 hrs., 35 min.
Learning about the law or the form	1 hrs., 18 min.
Preparing the form	4 hrs., 13 min.
Copying, assembling, and sending the form to IRS	48 min.

If you have comments concernings the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or to **Office of Management and Budget,** Paperwork Reduction Project, Washington DC 20503.

Purpose of Form

Use Form 2758 to request an extension of time to file any of the returns listed under line 1, page 1.

Note: *An extension of time granted by filing Form 2758 will apply only to the specific return checked on line 1. It will not extend any related returns. For example, an extension of time for filing an estate's income tax return will not apply to the individual income tax returns of the beneficiaries.*

When To File

You must file Form 2758 in adequate time to permit the Internal Revenue Service to consider the application and reply before the return's regular due date.

Blanket Requests

We will not grant blanket requests for extensions. File a separate form for each return.

Note: *Black lung benefit trusts, their trustees, and any disqualified persons filing Form 990-BL must each file separate applications. Also, trustees and disqualified persons filing Form 1120-ND to report section 4951 taxes must each file separate applications.*

Reasons for Extension

IRS will grant a reasonable extension of time for filing a return. You must file a timely application and show reasonable cause why the return cannot be filed by the due date. Generally, we will consider the application based on your efforts to fulfill the filing requirements, rather than on the convenience of your tax return preparer. However, if your tax return preparer is not able to complete the return by the due date for reasons beyond his or her control or, in spite of reasonable efforts, you are not able to get professional help in time to file, we will generally grant the additional extension.

Caution: *If an extension is granted and the IRS later determines that the statements made on this form are false and misleading, the extension is null and void. You will be subject to the late filing penalty explained later.*

Extension Period

Generally we will not grant an extension of time for more than 60 days unless sufficient need for an extended period is clearly shown.

In no event will we grant an extension of more than 6 months to an applicant living in the United States.

Where To File

File the original ***and one copy*** of this form with the Internal Revenue Service Center where you file your return. If you do not have a principal office or place of business in the United States, file this form with the Internal Revenue Service Center, Philadelphia, PA 19255. File Form 2758 for Forms 990-BL and 6069 with the Internal Revenue Service Center, Cincinnati, OH 45999.

Penalties and Interest

You may be charged one or both of the following penalties.

Late payment penalty.—Form 2758 does not extend the time to pay tax. Generally a penalty of ½ of 1% of any tax (other than estimated tax) not paid by the due date is charged for each month, or part of a month, that the tax remains unpaid. The penalty will not be charged if you can show reasonable cause for not paying on time.

Late filing penalty.—A penalty is charged if the return is filed after the due date (including extensions) unless you can show reasonable cause for filing late. The penalty is 5% of the tax not paid by the regular due date (even if an extension of time to pay has been granted) for each month, or part of a month, that the return is late. If the return is more than 60 days late, the penalty will not be less than $100 or the balance of the tax due on the return, whichever is smaller.

Different late filing penalties apply to information returns. See the specific form instructions for details.

Interest.—Interest is charged on the tax not paid by the regular due date of the return until the tax is paid. It will be charged even if you have been granted an extension or show reasonable cause for not paying on time.

Exempt Organization Group Returns

A central organization may request an extension of time to file a group return. To help us properly process your request, please attach a schedule to Form 2758 showing all the local organizations. The schedule should show each local organization's name and employer identification number.

List separately the local organizations that will be included in the group return.

Specific Instructions

Extension for an Initial or a Final Return.—If the entity filing Form 2758 is requesting an extension for its return for the first tax year during which the entity was in existence, type or print across the top of Form 2758 "Initial return extension." On the other hand, if the return for which an extension is requested is the return filed for the tax year during which the entity terminated, type or print across the top of Form 2758 "Final return extension."

Line 1.—Check the box for the form for which you are requesting an extension. You must file a separate Form 2758 for each return. Check only one box.

Line 4.—Clearly describe the reasons causing your delay in filing the return. We cannot approve applications that give incomplete reasons, such as "illness" or "practitioner too busy," without adequate explanations. If it is clear that a request for extension was made for no important reason but only to gain time, we will deny both the extension request and the 10-day grace period.

Line 5a.—If you are requesting an extension for one of the forms shown on line 5a, enter the tentative tax, reduced by any nonrefundable credits. See the specific form and form instructions to estimate this amount.

Line 5b.—If you are requesting an extension for Form 990-PF, 990-T, or 1041 (estate), enter any refundable credits and estimated tax payments made, including any prior year overpayment allowed as a credit. (Part VI, line 7, from Form 990-PF; line 16 from Form 990-T; line 25, page 1, Form 1041.)

Line 5c. Balance due.—Subtract line 5b from line 5a and enter here. Form 2758 does not extend the time to pay tax. To avoid interest and penalties, send the full balance due with Form 2758.

Note: *If this form is for Form 990-PF or 990-T, do not send a payment with Form 2758. Instead, deposit the payment with* ***Form 8109,*** *Federal Tax Deposit Coupon.*

Signature.—The person who signs this form may be: (1) a transferee, or an authorized representative of a transferee, filing Form 706GS(D); (2) a trustee filing Form 706GS(T); (3) a fiduciary, trustee, or an officer representing the fiduciary or trustee of an exempt trust filing Form 990, 990-BL, 990-PF, or 990-T; (4) a principal officer of a corporate organization filing Form 990, 990-PF, 4720, 6069, 8612, or 8613; (5) a foundation manager, trustee, or disqualified person filing Form 990-BL, 1120-ND, or 4720 for their own liability; (6) a fiduciary, trustee, or an officer representing the fiduciary or trustee filing Form 1041, 1041-A, 4720, or 5227; (7) a residual holder filing form 1066; (8) a grantor or transferor filing Form 3520-A; (9) an individual filing Form 6069; (10) a person authorized to sign Form 8725 for greenmail recipients; (11) an attorney or certified public accountant qualified to practice before the IRS; (12) a person enrolled to practice before the IRS; or (13) a person holding a power of attorney.

Form **2848**
(Rev. February 1988)
Department of the Treasury
Internal Revenue Service

Power of Attorney and Declaration of Representative

► See separate instructions.

OMB No. 1545-0150
Expires: 12-31-90

Part I Power of Attorney

(Please type or print)

Taxpayer(s) name(s)	Taxpayer identification number
Address (number and street)	Plan number (if applicable)
City, state, and ZIP code	Telephone number

For IRS Use Only		
File So.		
Level		
Receipt		
Powers		
Blind T.		
Action		
Ret. Ind.		

hereby appoint(s) the following individual(s)*

Name	CAF Number	Address	New Address	Telephone Number

as attorney(s)-in-fact to represent the taxpayer(s) before any office of the Internal Revenue Service for the following tax matter(s) (specify the type(s) of tax and year(s) or period(s) (date of death if estate tax)):

Type of tax (Individual, corporate, etc.)	Federal tax form number (1040, 1120, etc.)	Year(s) or period(s) (Date of death if estate tax)

The attorney(s)-in-fact (or either of them) are authorized, subject to revocation, to receive confidential information and to perform any and all acts that the principal(s) can perform with respect to the above specified tax matters (excluding the power to receive refund checks and the power to sign the return, unless specifically granted below). See Regulations section 1.6012-1(a)(5) for information on returns made by agents. (List excludable powers below. Indicate if you are granting the power to sign the return.)

.....

.....

☐ Send originals of all notices and all other written communications in proceedings involving the above tax matters to the appointee first named above, and a duplicate copy of all notices and all other written communications to the taxpayer named above, or

☐ Send copies of all notices and all other written communications addressed to the taxpayer(s) in proceedings involving the above tax matters to:

1 ☐ the appointee first named above, or

2 ☐ (names of not more than two of the appointees named above) .....

Initial here ► ..... if you are granting the power to receive, but not to endorse or cash, refund checks for the above tax matters to:

3 ☐ the appointee first named above, or

4 ☐ (name of one of the above designated appointees) ► .....

This power of attorney revokes all earlier powers of attorney and tax information authorizations on file with the Internal Revenue Service for the same tax matters and years or periods covered by this power of attorney, except the following:

.....

.....

(Specify to whom granted, date, and address including ZIP code, or refer to attached copies of earlier powers and authorizations.)

Signature of or for taxpayer(s)

(If signed by a corporate officer, partner, or fiduciary on behalf of the taxpayer, I certify that I have the authority to execute this power of attorney on behalf of the taxpayer.)

..... (Signature) ..... (Title, if applicable) ..... (Date)

(Also type or print your name below if signing for a taxpayer who is not an individual.)

..... (Signature) ..... (Title, if applicable) ..... (Date)

* You may authorize an organization, firm, or partnership to receive confidential information, but your representative must be an individual who must complete Part II.

For Privacy Act and Paperwork Reduction Act Notices, see page 1 of the separate instructions. Form **2848** (Rev. 2-88)

If the power of attorney is granted to a person other than an attorney, certified public accountant, enrolled agent, or enrolled actuary, the taxpayer(s) signature must be witnessed or notarized below. (The representative must complete Part II. List representatives there only if they are recognized to practice before the Internal Revenue Service.)

The person(s) signing as or for the taxpayer(s): (Check and complete one.)

☐ is/are known to and signed in the presence of the two disinterested witnesses whose signatures appear here:

_____ _____
(Signature of Witness) (Date)

_____ _____
(Signature of Witness) (Date)

☐ appeared this day before a notary public and acknowledged this power of attorney as a voluntary act and deed.

Witness: _____ _____ NOTARIAL SEAL
(Signature of Notary) (Date) (if required by state law)

Part II Declaration of Representative

I declare that I am not currently under suspension or disbarment from practice before the Internal Revenue Service; that I am aware of **Treasury Department Circular No. 230** (31 CFR, Part 10), as amended, regulations governing the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others; and that I am one of the following:

- **a** a member in good standing of the bar of the highest court of the jurisdiction shown below;
- **b** duly qualified to practice as a certified public accountant in the jurisdiction shown below;
- **c** enrolled as an agent under the requirements of Treasury Department Circular No. 230;
- **d** a bona fide officer of the taxpayer organization;
- **e** a full-time employee of the taxpayer;
- **f** a member of the taxpayer's immediate family (spouse, parent, child, brother or sister);
- **g** a fiduciary for the taxpayer;
- **h** an enrolled actuary (the authority of an enrolled actuary to practice before the Service is limited by section 10.3(d)(1) of Treasury Department Circular No. 230);
- **i** Commissioner's special authorization (see instructions for Part II, item i) _____

and that I am authorized to represent the taxpayer identified in Part I for the tax matters specified there.

Designation (insert appropriate letter from above list)	Jurisdiction (state, etc.) or Enrollment Card Number	Signature	Date

Department of the Treasury
Internal Revenue Service

Instructions for Form 2848

(Revised February 1988)

Power of Attorney and Declaration of Representative

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Privacy Act and Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Under section 6109, you must disclose your taxpayer identification number. The principal purpose is to secure proper identification of the taxpayer. If you do not disclose this number, IRS may suspend processing the power of attorney until you provide the number.

General Information

If you want a representative to perform certain acts on your behalf and to receive or inspect certain tax information, you must file a power of attorney. You may file a power of attorney without using Form 2848, but it must reflect the information that would be provided by using Form 2848. A representative must have a power of attorney (or tax information authorization, Form 2848-D) on file in order to receive or inspect certain tax information.

You may use Form 2848 as a power of attorney to appoint one or more individuals to represent you before the Internal Revenue Service. A firm, organization, or partnership may not be designated as a representative. You may use Form 2848 for any matters affecting any tax imposed by the Internal Revenue Code, except alcohol and tobacco taxes or firearms activities.

Form 2848 is for your convenience. Its use is voluntary, and you can file a power of attorney in other ways without using this form. If you wish to prepare a power of attorney without using Form 2848, see **Publication 216**, Conference and Practice Requirements of the Statement of Procedural Rules (Subpart E of Part 601 of Title 26 of the Code of Federal Regulations).

Powers Granted by Form 2848.—Your signature on Form 2848 authorizes the individual(s) you designate (your representative or "attorney-in-fact") to perform any act you can perform, except for the power to receive refund checks, and the power to sign tax returns. This includes executing waivers and offers of waivers of restrictions on assessment or collection of deficiencies in tax, and waivers of notice of disallowance of a claim for credit or refund. It also includes executing consents extending the statutory period for assessment or collection of taxes, executing closing agreements under section 7121, and delegating authority, or substituting another representative. A delegation or substitution must be evidenced by a statement signed by the representative named in the power of attorney.

If you want to exclude granting authority to perform any of these or other specific acts, insert language excluding these acts in the blank space provided.

If you want to include additional powers, such as authority to sign your return, insert language specifying the additional powers. See Regulations section 1.6012-1(a)(5) for the provisions permitting the use of agents to sign returns, such as disease or injury that prevents you from making your return, or your continuous absence from the United States for at least 60 days before the return due date.

If you want your representative to have authority only to receive confidential information and to make written or oral presentations of fact or argument on your behalf, you should use **Form 2848-D**, Tax Information Authorization and Declaration of Representative, instead of Form 2848.

Filing the Power of Attorney.—If you did not file a power of attorney previously, you must file the original or a photocopy with each IRS office in which your representative is to represent you. You do not have to file another copy with other IRS officers or counsel who later have the matter under consideration, unless you are specifically asked to provide an additional copy.

Revoking a Power of Attorney or Tax Information Authorization.—If you want to revoke an earlier power of attorney, you may use Form 2848 as a new authorization for your representative. This will authorize him or her to represent you in specified matters and years or periods before the office of IRS where you filed the earlier power. It will also revoke all earlier tax information authorizations for the same matters and years or periods filed in that office of IRS, unless you specifically state otherwise.

If you want to revoke a power of attorney without executing a new one, send a signed statement to each office of IRS where you filed each earlier power of attorney that you are now revoking. List in this statement the name and address of each representative whose authority is being revoked.

How To Complete Form 2848

Part I. Power of Attorney

Taxpayer's Name, Identification Number, and Address.—For individuals: Enter your name, social security number, and address in the space provided. If a joint return is involved, and you and your spouse are designating the same representative(s), also enter your spouse's name and social security number, and your spouse's address if different from yours.

For a corporation, partnership, or association: Enter the name, employer identification number, and business address. If the power of attorney for a partnership will be used in a tax matter in which the name and social security number of each partner have not previously been sent to IRS, list the name and social security number of each partner in the available space at the end of the form or on an attached sheet.

For an employee plan: Enter the name, employer identification number, 3-digit plan number, and business address.

For a trust: Enter the name, title, and address of the fiduciary, and the name and employer identification number of the trust.

For an estate: Enter the name, title, and address of the decedent's personal representative, and the name and identification number of the estate. The identification number for an estate includes both the employer identification number if the estate has one and the decedent's social security number.

Appointee.—Enter the name(s), CAF number(s) (if one has already been assigned), address(es), and telephone number(s) of the individual(s) you appoint. This may not be the name of a law firm, etc. See *Where You Want Original or Copies Sent*, below.

The CAF number is the unique number (not the social security number) that IRS will assign to a representative after he or she has filed a Form 2848 or 2848-D with an IRS office that is using the CAF system. After IRS tells the representative what his or her CAF number is, the representative is requested, but not required, to use the CAF number on all future Forms 2848 or 2848-D filed. Please check the box under *New Address*, if the appointee's address has changed since being assigned a CAF number. In the case of an employee plan administrator who is required to obtain an employer identification number in order to be recognized as the plan administrator, the CAF number is the employer identification number assigned to the administrator.

Internal Revenue Tax Matters and Years or Periods.—Consider the application of each tax imposed by the Internal Revenue Code for each tax period as a separate tax matter. In the columns provided, clearly identify the type of tax(es), the tax form number(s), and the year(s) or period(s) for which the power is granted. You may list any number of specified years or periods and types of taxes on the same power of attorney. For example, you may list income tax Form 1040 for calendar year 1988 and excise tax Form 720 for the 1st, 2nd, 3rd, and 4th quarters of 1988, but a general reference to "all years," "all periods," or "all taxes" is not acceptable. If the matter relates to estate tax, enter the date of the taxpayer's death instead of the year or period.

If the power of attorney will be used in connection with a penalty that is not related to a particular type of tax, such as individual or corporate, enter the Code section of the penalty involved in the type of tax column. If no tax form is involved, enter the name of the organization or investment in the space provided for the form number.

If the power of attorney is used for ruling requests, submit a copy with each request. If you want the original of the ruling mailed to your representative, see the next paragraph.

Where You Want Original or Copies Sent.—By checking the applicable box, you may have the original of all notices and all other written communications addressed and sent to your representative, or you may have the original addressed to you and have copies of all notices and all other written communications sent to your representative, but to no more than two representatives if they are located at different addresses. Please check box 1 if you want copies of all notices or all communications sent to the first appointee named at the top of the form. Check box 2 if you want them sent to someone other than the first named appointee or if you want them sent to two appointees. In that case, list the names of the appointees.

Refund Checks (Boxes 3 and 4).—Check box 3 or 4 and put your initials in the space provided if you want your refund checks mailed to your representative. Your representative may then receive but not endorse or cash refund checks.

Signature of Taxpayers.—For individuals: If a joint return is involved and both husband and wife will be represented by the same individual(s), then both must sign the power of attorney unless one spouse authorizes (in writing) the other to sign for both. In that case, attach a copy of the authorization. However, if they are to be represented by different individuals, each may execute his or her own power of attorney.

For a partnership: All partners must sign unless one partner is authorized to act in the name of the partnership. A partner is authorized to act in the name of the partnership if under state law the partner has authority to bind the partnership.

For a corporation or association: An officer having authority to bind the entity must sign.

If you are signing the power of attorney for a taxpayer who is not an individual, please type or print your name below the signature line at the bottom of the form.

Other: If the taxpayer has died, is insolvent, or is a dissolved corporation or partnership, or if a trustee, guardian, or other fiduciary is acting for the taxpayer, see section 601.504(b)(2) of Subpart E of the Conference and Practice Requirements for further instructions about executing a power of attorney.

Notarizing or Witnessing the Power of Attorney.—A notary public or two disinterested individuals must witness a power of attorney unless it is granted to an attorney, certified public accountant, enrolled agent, or enrolled actuary.

Part II. Declaration of Representative

Your representative must complete Part II to make a declaration containing the following:

(1) A statement that the representative is authorized to represent the taxpayer as a certified public accountant, attorney, enrolled agent, enrolled actuary, member of your immediate family, etc.

An actuary enrolled by the Joint Board for the Enrollment of Actuaries may represent a taxpayer before IRS. However, the actuary's representation is limited to certain areas of the Code. See section 10.3(d)(1) of Treasury Department Circular No. 230 for a list of the Code sections involved and the areas covered by them.

(2) The jurisdiction recognizing the representative. For an attorney or certified public accountant: Enter in the *Jurisdiction* column the state, District of Columbia, possession, or commonwealth that has granted the declared professional recognition. For an enrolled agent or actuary: Enter in the *Jurisdiction* column the enrollment card number.

(3) The signature of the representative and the date signed.

If the representative is a former employee of the Federal Government, he or she must be aware of the post-employment restrictions contained in the Ethics in Government Act, 18 USC 207, and in section 10.26 of Treasury Department Circular No. 230. Criminal penalties are provided for violation of the post-employment restrictions.

Unenrolled return preparers (see Treasury Department Circular No. 230, section 10.7(a)(7)) may NOT use Form 2848. They may use Form 2848-D for the limited practice without enrollment provided in Treasury Department Circular No. 230, section 10.7(a)(7).

Part II, Item i.—Use this item to explain a special authorization by the Commissioner, as described in Treasury Department Circular No. 230, section 10.7(b).

Form **3903**

Department of the Treasury
Internal Revenue Service (L)

Moving Expenses

▶ **Attach to Form 1040.**

▶ **See separate Instructions.**

OMB No. 1545-0062

1988

Attachment Sequence No. **62**

Name(s) as shown on Form 1040 | **Your social security number**

1	Enter the number of miles from your **old** home to your **new** workplace	1	
2	Enter the number of miles from your **old** home to your **old** workplace	2	
3	Subtract line **2** from line **1**. Enter the result (but not less than zero) ▶	3	

If line **3** is 35 or more miles, complete the rest of this form. If line 3 is less than 35 miles, you may not take a deduction for moving expenses. This rule does not apply to members of the armed forces.

Part I Moving Expenses

Section A.—Transportation of Household Goods

4	Transportation and storage for household goods and personal effects		4

Section B.—Expenses of Moving From Old to New Home

5	Travel and lodging **not** including meals		5	
6	Total meals	6		
7	Multiply line 6 by 80% (.80)		7	
8	Add lines 5 and 7			8

Section C.—Pre-move Househunting Expenses

9	Travel and lodging **not** including meals		9	
10	Total meals	10		
11	Multiply line 10 by 80% (.80)		11	
12	Add lines 9 and 11		12	

Section D.—Temporary Quarters (for any 30 days in a row after getting your job)

13	Lodging expenses **not** including meals		13	
14	Total meals	14		
15	Multiply line 14 by 80% (.80)		15	
16	Add lines 13 and 15		16	

Section E.—Qualified Real Estate Expenses

17	Expenses of (check one): **a** ☐ selling or exchanging your old home; or **b** ☐ if renting, settling an unexpired lease		17	
18	Expenses of (check one): **a** ☐ buying your new home, or **b** ☐ if renting, getting a new lease		18	

Part II Dollar Limitations

19	Add lines 12 and 16	19		
20	Enter the smaller of line 19 or $1,500 ($750 if married, filing a separate return, and at the end of the tax year you lived with your spouse who also started work during the tax year)		20	
21	Add lines 17, 18, and 20		21	
22	Enter the smaller of line 21 or $3,000 ($1,500 if married, filing a separate return, and at the end of the tax year you lived with your spouse who also started work during the tax year)			22
23	Add lines 4, 8, and 22. This is your moving expense deduction. **Enter here and on Schedule A (Form 1040), line 19. (Note:** *Any payments your employer made for any part of your move (including the value of any services furnished in kind) should be included on Form W-2. Report that amount on* ***Form 1040, line 7.*** *See* ***Reimbursements*** *in the Instructions.*) ▶			23

For Paperwork Reduction Act Notice, see separate Instructions. Form **3903** (1988)

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 3903

Moving Expenses

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	1 hr., 5 min.
Learning about the law or the form	7 min.
Preparing the form	37 min.
Copying, assembling, and sending the form to IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions for Form 1040.

Change You Should Note

Recent law changes put a new limitation on the amount of reimbursed meal expenses that are deductible as moving expenses. Now only 80% of reimbursed meal expenses are deductible. This is true even if your employer did not withhold tax on the amounts. Previously, only unreimbursed meals were subject to this limitation. See **Meal Expenses** on page 2.

Purpose of Form

Use Form 3903 if you moved to a new principal workplace within the United States or its possessions and you qualify to deduct your moving expenses.

Note: *Use **Form 3903F**, Foreign Moving Expenses, instead of this form if you are a U.S. citizen or resident alien who moved to a new principal workplace outside the United States or its possessions.*

Additional Information

For more information about moving expenses, please get **Pub. 521,** Moving Expenses.

Who May Deduct

If you moved to a different home because of a change in the location of your job, you may be able to deduct your moving expenses. You may qualify for a deduction whether you are self-employed or an employee. However, you must meet certain tests explained below.

Distance Test.—Your new workplace must be at least 35 miles farther from your old home than your old workplace was. For example, if your old workplace was 3 miles from your old home, your new workplace must be at least 38 miles from that home. If you did not have an old workplace, your new workplace must be at least 35 miles from your old home. (The distance between two points is the shortest of the more commonly traveled routes between the points.)

Time Test.—If you are an employee, you must work full time for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work full time for at least 39 weeks during the first 12 months and a total of at least 78 weeks during the 24 months right after you move.

You may deduct your moving expenses for 1988 even if you have not met the time test before your 1988 return is due. You may do this if you expect to meet the 39-week test by the end of 1989 or the 78-week test by the end of 1990. If you have not met the test by then, you will have to do one of the following:

- Amend your 1988 tax return on which you deducted moving expenses. To do this, use **Form 1040X,** Amended U.S. Individual Income Tax Return; or
- In the year you cannot meet the test, report as income on your tax return the amount of your 1988 moving expense deduction that reduced your 1988 income tax. For more information, see **Time Test** in Pub. 521.

If you do not deduct your moving expenses on your 1988 return and you later meet the time test, you may take the deduction by filing an amended return for 1988. To do this, use Form 1040X.

Exceptions to the Distance and Time Tests.—You do not have to meet the time test in case of death, if your job ends because of disability, if you are transferred for your employer's benefit, or if you are laid off or discharged for a reason other than willful misconduct.

You do not have to meet the time test if you meet the requirements for retirees or survivors living outside the United States, as explained below.

If you are in the armed forces, you do not have to meet the distance and time tests if the move is due to a permanent change of station. A permanent change of station includes a move in connection with and within 1 year of retirement or other termination of active duty. In figuring your moving expenses, do not deduct any moving expenses for moving services that were provided by the military or that were reimbursed to you and that you did not include in income. However, you may deduct your unreimbursed moving expenses, subject to the dollar limits. If you and your spouse and dependents are moved to or from different locations, treat the moves as a single move.

Qualified Retirees or Survivors Living Outside the United States

If you are a retiree or survivor who moved to a U.S. home and you meet the requirements below, you are treated as if you moved to a new workplace located in the United States. You are subject to the distance test and other limitations explained on this form. Use this form instead of Form 3903F to claim your moving expenses.

Retirees.—You may deduct moving expenses for a move to a new home in the United States when you actually retire if both your old principal workplace and your old home were outside the United States.

Survivors.—You may deduct moving expenses for a move to a home in the United States if you are the spouse or dependent of a person whose principal workplace at the time of death was

outside the United States. In addition, the expenses must be: (1) for a move that begins within 6 months after the decedent's death; and (2) must be from a former home outside the United States that you lived in with the decedent at the time of death.

Moving Expenses in General

You may deduct most of the reasonable expenses you incur in moving your family and dependent household members. These include your costs to move to the new location (Part I, Sections A and B), pre-move househunting expenses (Section C), expenses of temporary quarters once you arrive in the new location (Section D), and certain qualified real estate expenses (Section E).

You MAY NOT deduct expenses of a loss on the sale of your home, mortgage penalties, refitting draperies and carpets, or quitting club memberships. Neither can you deduct expenses for employees such as a servant, governess, or nurse.

Reimbursements

You must include any reimbursement of, or payment for, moving expenses in gross income as compensation for services. If your employer paid for any part of your move, you must report that amount as income on **Form 1040, line 7.** Your employer should include the amount paid in your total income on Form W-2. However, if you are not sure that the reimbursements have been included in your Form W-2, check with your employer. Your employer must give you a statement showing a detailed breakdown of reimbursements or payments for moving expenses. Your employer may use **Form 4782,** Employee Moving Expense Information, to give you the required breakdown of reimbursements, or your employer may use his or her own form.

You may choose to deduct moving expenses in the year you are reimbursed by your employer, even though you paid for the moving expenses in a different year. However, special rules apply. See **How to Report** in Pub. 521.

Meal Expenses

Only 80% of your meal expenses are deductible. These limitations are figured on lines 7, 11, and 15 in Sections B, C, and D, respectively.

For more information, see Pub. 521.

No Double Benefit

You may not take double benefits. For example, you may not use the moving expenses on line 17 that are part of your moving expense deduction to lower the amount of gain on the sale of your old home. In addition, you may not use the moving expenses on line 18 that are part of your moving expense deduction to add to the cost of your new home. (Use **Form 2119,** Sale of Your Home, to figure the gain, if any, you must report on the sale of your old home and the adjusted cost of the new one.)

Part I Instructions

We have provided specific instructions for most of the form. Those lines that do not appear in these instructions are self-explanatory.

Caution: *If you are claiming meal expenses in Section B, C, or D, you must state meal expenses separately in each section. This is necessary because all meals are subject to the 80% limitation.*

Section A.—Enter on line 4 the actual cost to pack, crate, move, store in transit, and insure your household goods and personal effects.

Section B.—Enter the costs of travel from your old to your new home. These include transportation, meals, and lodging on the way. Include costs for the day you arrive. *Show your meal expenses separately on line 6.* You may only include expenses for one trip. However, not all the members of your household have to travel together or at the same time.

If you use your own car, you may figure the expenses in either of the following two ways:

- Actual out-of-pocket expenses for gas and oil (keep records to verify the amounts); or
- At the rate of 9 cents a mile (keep records to verify your mileage).

You may add parking fees and tolls to the amount claimed under either method.

Section C.—Include the costs of travel before you move in order to look for a new home. *Show your meal expenses separately on line 10.* You may deduct the costs only if:

- You took the trip after you got the job; **and**
- You returned to your old home after looking for a new one; **and**
- You traveled to the new work area primarily to look for a new home.

There is no limit on the number of househunting trips taken, and you do not have to be successful to qualify for this deduction. If you used your own car, figure transportation costs the same way as you did in Section B. If you are self-employed, you may deduct househunting costs only if you had already made substantial arrangements to begin work in the new location.

Section D.—Include the cost of meals and lodging while occupying temporary quarters in the area of your new workplace. *Show your meal expenses separately on line 14.* You may include the costs for any period of 30 days in a row after you get the job, but before you move into permanent quarters. If you are self-employed, you may count these expenses only if you had already made substantial arrangements to begin work in the new location.

Section E.—You may include most of the costs to sell or buy a home or to settle or get a lease. Examples of qualified real estate expenses you MAY include are:

- Sales commissions;
- Advertising costs;
- Attorney's fees;
- Title and escrow fees;
- State transfer taxes; and
- Costs to settle an unexpired lease or to get a new lease.

Examples of expenses you MAY NOT include are:

- Costs to improve your home to help it sell;
- Charges for payment or prepayment of interest; and
- Payments or prepayments of rent.

Check the appropriate box, **a** or **b,** for lines 17 and 18 when you enter the amounts for these two lines.

Part II Instructions

The following dollar limitations apply to the expenses shown in Part I.

Line 19.—Enter your combined house-hunting and temporary living expenses (lines 12 and 16). These expenses are limited to $1,500 (on line 20).

Line 21.—Enter here the amount from line 20 combined with real estate expenses (lines 17 and 18). These are overall per-move limits that may not be more than $3,000 (on line 22).

There are some special situations:

- If both you and your spouse began work at new workplaces and shared the same new home at the end of the tax year, you must treat this as one move rather than two. If you file separate returns, each of you is limited to a total of $750 on line 20, and to a total of $1,500 on line 22.
- If both you and your spouse began work at new workplaces but each of you moved to separate new homes, this is treated as two separate moves. If you file a joint return, line 20 is limited to a total of $3,000; and line 22 is limited to a total of $6,000. If you file separate returns, each of you is limited to a total of $1,500 on line 20; and a total of $3,000 on line 22.

Note: *Use any amount on* ***line 17a*** *not deducted because of dollar limitations to decrease the gain on the sale of your home. Use any amount on* ***line 18a*** *not deducted because of the limit to increase the basis of your new home.*

Form **4136**
Department of the Treasury
Internal Revenue Service (L)

Computation of Credit for Federal Tax on Fuels

(And Credit for Purchase of Diesel-Powered Highway Vehicles)
▶ Attach this form to your income tax return.

OMB No. 1545-0162
1988
Attachment Sequence No. **25**

Name (as shown on your income tax return) | **Social security or employer identification number**

Type of Use	(a) Number of gallons used	(b) Rate of tax	(c) Multiply column (a) by column (b) (except line 1)
1 Diesel-powered highway vehicles purchased this year (See instructions.)			$
2 Nonhighway:			
a Farm (for farming purposes):			
(i) Gasoline, gasoline/alcohol mixture (gasohol)		.03/.0333/.09*	
(ii) Diesel fuel, diesel/alcohol mixture		.09/.10/.15*	$
(iii) Special motor fuels, special fuels/alcohol mixture		.03/.045/.09*	
b Commercial fishing vessel (See instructions.):			
(i) Gasoline, gasoline/alcohol mixture (gasohol)		.03/.0333/.09*	
(ii) Diesel fuel, diesel/alcohol mixture		.09/.10/.15*	$
(iii) Special motor fuels, special fuels/alcohol mixture		.03/.045/.09*	
c Off-highway business (specify)			
(i) Gasoline, gasoline/alcohol mixture (gasohol)		.03/.0333/.09*	
(ii) Diesel fuel, diesel/alcohol mixture		.09/.10/.15*	$
(iii) Special motor fuels, special fuels/alcohol mixture		.03/.045/.09*	
3a Intercity, local, and school buses (See instructions.)		.03/.0333/.09/.12/.15*	
b Qualified local buses (See instructions.)		.15	$
4 Gasoline and diesel fuel used for certain nontaxable purposes		.03/.09/.10/.15*	$
5 Gasoline/alcohol mixture (gasohol)		.0566	$
6a Qualified methanol and ethanol		.06	
b Diesel/alcohol mixture		.05	$
c Special motor fuels/alcohol mixture		.0566	
7 Qualified taxicab		.04	$
8 Leaking underground storage tank taxes (See instructions.)		.001/.0011/.0005*	$
Fuel Used in Aviation:			
9 Farm (for farming purposes)		.03/.09/.119/.12/.14*	$
10 Aviation (See instructions.)		.03/.09/.119/.12/.14*	$
11 Total income tax credit claimed (add lines 1 through 10). Enter here and on Form 1040, line 59; Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23b; Form 1041, line 24g; or the proper line of other returns			$

* *Use rate paid or allowable rate if less.*

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	7hrs., 25 min.
Learning about the law or the form	6 min.
Preparing and sending the form to IRS	13 min.

If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose of Form.—Form 4136 is used by individuals, estates, trusts, or corporations to claim credit for Federal excise tax paid on fuels used for certain nontaxable or reduced rate purposes, and to claim the credit for diesel-powered highway vehicles. (Partnerships should not file this form; instead, they should attach a statement to **Form 1065,** U.S. Partnership Return of Income, showing how many gallons of the fuels are allocated to each partner, the types of use, and the applicable tax rate as shown on this form.)

Which Fuels Qualify for the Credit.—Fuels eligible for the credit include gasoline (which includes gasoline blend stocks and additives), gasohol, diesel fuel, aviation fuel, avgas, methanol, ethanol, benzol, naphtha, liquefied petroleum gas, casinghead and natural gasoline and other taxable liquids. These fuels qualify for the credit if they are used for the various purposes described in the line-by-line instructions, the purchase price of the fuels includes the tax, and you have not requested a refund of the tax. Fuels that are lost through spillage, accident, or shrinkage do not qualify for credit or refund.

Claiming a Refund Instead of a Credit.—Rather than waiting until you file your income tax return to claim credit for the tax paid, you may be able to claim a refund of the tax on **Form 843,** Claim. Generally, to do so, you must have paid at least a certain amount of tax during the first three quarters of the year. See **Pub. 378,** Fuel Tax Credits and Refunds, for more information.

You must claim a credit on Form 4136, rather than a refund on Form 843, for tax paid during the fourth quarter that was less than certain amounts and tax paid on fuels used on a farm for farming purposes.

Including Credit or Refund in Income.—The credit or refund must be included in your gross income if you claimed the taxes paid as an expense deduction that reduced your income tax liability. See Pub. 378 for more information.

Additional Information on Fuel Credits.—**Pub. 225,** Farmer's Tax Guide; **Pub. 378,** Fuel Tax Credits and Refunds; and **Pub. 510,** Excise Taxes for 1989; all contain additional information on the fuel tax credit. They are available from many IRS offices and the IRS forms distribution center for your area.

Line-by-Line Instructions

Line 1—Diesel-Powered Vehicle.—If you bought a diesel-powered highway vehicle for a use other than resale and you are the first purchaser, you may claim a one-time credit of $102 for an automobile and $198 for a light truck or van. The vehicle must be a diesel-powered highway vehicle that has at least four wheels, has a gross vehicle weight rating of 10,000 pounds or less, and is registered for highway use in the U.S. under the laws of any

state. Enter the credit on line 1. If you bought more than one vehicle, enter the total credits on line 1.

Line 2a—Farm Use.—You may claim a credit for tax paid on gasoline, diesel fuel, and special motor fuels (or any of these mixed with alcohol) used on a farm operated as a trade or business in the U.S. Such farms include those that raise stock, dairy, poultry, or fur-bearing animals; and truck farms, plantations, ranches, nurseries, ranges, greenhouses, and orchards. See Pub. 225 for more information on who may claim a credit for farming purposes.

The credit amounts are:

Line 2a(i)—9 cents a gallon for gasoline; 3 cents a gallon for gasohol; and 3⅓ cents (.0333) a gallon for gasoline purchased for blending with alcohol.

Line 2a(ii)—15 cents a gallon for diesel fuel; 9 cents a gallon for diesel fuel mixed with alcohol; 10 cents a gallon for diesel fuel purchased after March 31, 1988, for mixing with alcohol.

Line 2a(iii)—9 cents a gallon for special motor fuels; 3 cents a gallon for special fuels mixed with alcohol; 9 cents or 4½ cents (whichever paid) a gallon if 85% of the fuel consists of alcohol produced from natural gas; 3 cents a gallon for methanol and ethanol.

Line 2b—Commercial Fishing Vessels.—You may claim a credit for tax paid on gasoline, gasohol, diesel fuel, diesel fuel mixed with alcohol, special motor fuels, and special fuels mixed with alcohol used in a commercial fishing vessel. A **commercial fishing vessel** is one used in the fishing or whaling business only for catching shrimp and other aquatic life for sale commercially as bait, or on specific trips only for catching fish, shrimp, or other aquatic life to be sold commercially.

The credit amounts are:

Line 2b(i)—9 cents a gallon for gasoline; 3 cents a gallon for gasohol; 3⅓ cents (.0333) a gallon for gasoline purchased for blending with alcohol.

Line 2b(ii)—15 cents a gallon for diesel fuel; 9 cents a gallon for diesel fuel mixed with alcohol; 10 cents a gallon for diesel fuel purchased after March 31, 1988, for mixing with alcohol.

Line 2b(iii)—9 cents a gallon for special motor fuels; 3 cents a gallon for special fuels mixed with alcohol; 9 cents or 4½ cents (whichever paid) a gallon if 85% of the fuel consists of alcohol produced from natural gas; 3 cents a gallon for methanol and ethanol.

Line 2c—Off-Highway Business Use.—You may claim a credit for tax paid on fuels used for any off-highway business purpose. Off-highway business use does not include fuel used in a motorboat that is not a commercial fishing vessel, or in a highway vehicle that either must be registered for highway use or is owned by the U.S. and used on the highway. Enter the specific off-highway business purpose for which you used the fuel in the entry space on line 2c.

The credit amounts are:

Line 2c(i)—9 cents a gallon for gasoline; 3 cents a gallon for gasohol; 3⅓ cents (.0333) a gallon for gasoline purchased for blending with alcohol.

Line 2c(ii)—15 cents a gallon for diesel fuel; 9 cents a gallon for diesel fuel mixed with alcohol; 10 cents a gallon for diesel fuel purchased after March 31, 1988, for mixing with alcohol.

Line 2c(iii)—9 cents a gallon for special motor fuels; 3 cents a gallon for special fuels mixed with alcohol; 9 cents or 4½ cents (whichever paid) a gallon if 85% of the fuel consists of alcohol produced from natural gas; 3 cents a gallon for methanol and ethanol.

Line 3a—Intercity, Local, and School Buses.—You may claim a credit for tax paid on gasoline, gasohol, diesel fuel, and special motor fuels if you are the ultimate purchaser, and the fuel is used in a bus that transports the general public for a fee, or students and school employees. If the bus is an intercity or local bus and runs on nonscheduled irregular routes, you may claim the credit only if the seating capacity of the bus is at least 20 adults, not including the driver.

The credit amounts are 9 cents a gallon for gasoline and special motor fuels; 3 cents a gallon for gasohol; 3⅓ cents (.0333) a gallon for gasoline purchased for blending with alcohol; 12 cents a gallon for diesel fuel used in intercity and local buses; and 15 cents a gallon for diesel fuel used in school buses.

Line 3b—Qualified Local Buses.—A qualified local bus is any local bus that seats at least 20 adults (not including the driver), that transports the general public along regular scheduled routes, and that is under contract (or receives more than a nominal subsidy) from any state or local government to furnish such transportation. You may claim a credit of 15 cents a gallon for tax paid on diesel fuel used in a qualified local bus.

Line 4—Gasoline and Diesel Fuel Used for Nontaxable Purposes.—You may claim a credit for tax paid on gasoline, gasohol, diesel fuel, or diesel/alcohol mixture that is exported, used as supplies for vessels or aircraft, used for a nontaxable purpose, or used for a purpose other than the one you bought it for. You may also claim a credit for tax paid (9 cents a gallon) on blend stocks and additives not used to produce gasoline, and tax paid on diesel fuel used in trains. The credit is 9 cents a gallon for gasoline and 3 cents a gallon for gasohol. The credit is 15 cents a gallon for diesel fuel, 9 cents a gallon for diesel/alcohol mixture, and 10 cents a gallon for diesel fuel purchased after March 31, 1988, for mixing with alcohol.

Line 5—Gasoline/Alcohol Mixture.—You may claim a credit for tax paid on gasoline that you use to produce a gasoline/alcohol mixture (gasohol) if the mixture is at least 10% alcohol, and the mixture was sold or used in your trade or business. The credit is 5⅔ cents (.0566) a gallon for gasoline.

Line 6a—Qualified Methanol and Ethanol.—These are liquid fuels, 85% of which are alcohol produced other than from petroleum or natural gas. If you paid tax of 9 cents a gallon on these fuels, you may claim a credit of 6 cents a gallon.

Line 6b—Diesel/Alcohol Mixture.—You may claim a credit for tax paid on diesel fuel that is later used in a mixture of diesel fuel and alcohol if the mixture is at least 10% alcohol and the mixture was sold or used in your trade or business. The credit is 5 cents a gallon for diesel fuel.

Line 6c—Special Fuels/Alcohol Mixture.—You may claim a credit for tax paid on special motor fuels that are later mixed with alcohol if the mixture is at least 10% alcohol and the mixture was sold or used in your trade or business. The credit is 5⅔ cents (.0566) a gallon for special fuels.

Line 7—Qualified Taxicab Use.—If you are the ultimate purchaser of the fuel, you may claim a credit of 4 cents a gallon for tax paid on gasoline, special motor fuels, or diesel fuel used in a taxicab, if the cab and the service provided meet certain tests. To qualify, the taxicab must be a land vehicle that holds fewer than 10 adults including the driver. The taxicab must furnish nonscheduled land transportation for a fixed fee. The driver must be properly licensed as a taxicab driver and must be able to furnish ridesharing. For 1978 and later model years, the vehicle model must have a fuel economy rating better than the average fuel economy standard for the model year. See Pub. 378 for the average fuel economy standard for each model year. This credit will not be allowed for fuel used after September 30, 1988.

Line 8—Leaking Underground Storage Tank Taxes.—You may claim a credit of 1/10 of 1 cent (.001) a gallon for tax paid on gasoline or gasohol used in intercity, local, or school buses, on a farm or in farming aviation, in commercial fishing vessels, in helicopter aviation use described below, and in all commercial aviation. You may also claim a credit for tax paid on diesel fuel and special motor fuels of 1/10 of 1 cent (.001) a gallon for use on a farm, in farming aviation, in commercial fishing vessels, in qualified local buses and school buses, in off-highway use, and in helicopter aviation use described below. The amount of credit for qualified ethanol and methanol is 1/20 of 1 cent (.0005) a gallon. If you purchased the fuel for blending with alcohol, the amount of credit is 1/9 of 1 cent (.0011) a gallon.

Lines 9 and 10—Fuel Used in Aviation.—You may claim a credit for fuel (including an alcohol mixture) used in aviation, on a farm for farming purposes, for commercial aviation, and for certain helicopter and certain aircraft museum uses. **Commercial aviation** is the use of an aircraft in a business of carrying people or property by air for pay. See Pub. 378 for more information on fuels used in commercial aviation.

The credit applies to fuel used in helicopters to transport individuals, equipment, or supplies to explore for, develop, or remove hard minerals, oil, or gas; or to plant, cultivate, cut, transport or care for trees (including logging); or to provide emergency medical service (effective October 1, 1988). To qualify, the helicopter may not take off from, or land at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise use services provided under the Airport and Airway Improvement Act of 1982.

You may claim a credit for gasoline (avgas) used for these purposes at 9 or 12 cents (11.9 cents for purchases after March 31, 1988) a gallon, whichever was paid. The credit is 3 cents a gallon for gasohol, and 14 cents a gallon for aviation fuel used for these purposes.

Line 11—Total Income Tax Credit.—Add the amount for each credit and enter the total on line 11. Also, enter the total amount of credit on the proper line of your income tax return.

Form **4137**

Department of the Treasury
Internal Revenue Service

Computation of Social Security Tax on Unreported Tip Income

(Under Federal Insurance Contributions Act)
▶ **Attach to Form 1040.**

OMB No. 1545-0059

1988

Attachment Sequence No. **64**

Name of person who received tip income. Enter name as shown on social security card.

Social security number

Names of employers

1 Total cash and charge tips **received** in 1988. (**Note:** *Include December 1987 tips reported to your employer from January 1, 1988, through January 10, 1988. Do not include December 1988 tips reported to your employer from January 1, 1989, through January 10, 1989.*) See **"When Tips Are Taxable"** in the instructions			1	
2 Total cash and charge tips **reported** to your employer in 1988			2	
3 Subtract line 2 from line 1. Enter the result here and include it in the total on Form 1040, line 7			3	
4 Cash and charge tips you received but did not report to your employer because the total was less than $20 in a calendar month			4	
5 Subtract line 4 from line 3. Enter the result here			5	
6 Largest amount of wages (including tips) subject to social security tax	6	45,000 00		
7 Total social security wages and social security tips shown on Form W-2 or railroad retirement compensation shown on statement. (Include covered wages you received as an agricultural or household employee.)	7			
8 Subtract line 7 from line 6. If line 7 is more than line 6, you do not owe this tax. Do not complete the rest of this form or Schedule U below			8	
9 Unreported tips subject to social security tax. Enter here, and on Schedule U below, the amount from line 5 or line 8, whichever is **smaller**			9	
10 Multiply the amount on line 9 by .0751. Enter the result here, and on Form 1040, line 51 ▶			10	

For Paperwork Reduction Act Notice, see instructions on back. Form **4137** (1988)

Do Not Detach

SCHEDULE U
(Form 1040)
Department of the Treasury
Internal Revenue Service

U.S. Schedule of Unreported Tip Income

For crediting to your social security record

1988

Important: The amounts reported below are for your social security record. This record is used in figuring any benefits, based on your earnings, payable to you, your dependents, and your survivors. Fill in each item accurately and completely.

Print or type name of person who received tip income. Enter name as shown on social security card.

Social security number

Address (number and street)

Occupation

City or town, state, and ZIP code

Unreported tips subject to social security tax. Enter the amount from line 9 of Form 4137, above ▶ $

Please do not write in this space

DLN—

Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	26 minutes
Learning about the law or the form	5 minutes
Preparing the form	16 minutes
Copying, assembling, and sending the form to IRS	17 minutes

If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to either **IRS** or the **Office of Management and Budget**, at the addresses listed in the instructions of Form 1040.

Purpose of Form.—Form 4137 is used to figure the social security tax on unreported tip income and to figure the amount of tip income to be reported on your tax return and social security record.

Who Must File.—File this form if you received cash and charge tips of $20 or more in any month and did not report all of those tips to your employer. You must also file this form if you are reporting any part of the allocated tips shown on your Form W-2 as income on line 7 of Form 1040.

Tips You Must Report to an Employer.—You must give your employer a written statement of cash and charge tips if you receive $20 or more in tips during a month. If, in any month, you work for two or more employers and receive tips while working for each, the $20 test applies separately for the tips you received for your work for each employer and not to the total you receive. You must report these tips to your employers by the 10th day of the month after the month you receive them.

Certain Tips You Do Not Report on This Form.—Do not report on this form tips received:

- For work covered by the Railroad Retirement Tax Act (contact any Railroad Retirement Board office for information on how to get railroad retirement credit for tips not reported to railroad employers); or
- While working for state or local governments if your pay is subject **only** to the 1.45% medicare (hospital insurance benefits) tax.

When Tips Are Taxable.—If you report tips to your employer as required by the 10th day of the month after the month you receive them, those tips are considered income to you in the month you report them. For example, tips you receive in December of 1988 that you report to your employer between January 1, 1989, and January 10, 1989, are considered income in 1989 and should be included on your 1989 Form W-2. (Do not include these tips on line 1 of this form.)

Tips you did not report to your employer on time or did not report at all are considered income to you in the month you actually received them. For example, tips you received in December of 1988 that are reported to your employer after January 10, 1989, are considered income in 1988 because you did not report to your employer on time. (Include these tips on line 1 of this form.) Also include on line 1 of this form and on line 7 of Form 1040, any allocated tips shown on your Form W-2 unless you can show that you did not receive this amount. Get **Pub. 531**, Reporting Income From Tips, for more information.

Payment of Tax.—Tips you report to your employer are subject to social security or railroad retirement tax and income tax withholding. Your employer collects these taxes from wages (excluding tips) or other funds of yours available to cover them. If your wages are not enough to cover these taxes, you may give your employer the additional amounts needed. Your Form W-2 will include the tips you reported to your employer and the taxes withheld. If there was not enough money to cover the social security or railroad retirement tax, your Form W-2 will also show the tax due.

Penalty for Not Reporting Tips.—If you do not report the tips you are required to report to your employer, you may be charged a penalty equal to 50% of the social security tax due on those tips. Therefore, you should attach a statement to your return explaining why you did not report them.

For more information, see Pub. 531 and **Pub. 505**, Tax Withholding and Estimated Tax, available from most Internal Revenue Service offices.

Form **4255**
(Rev. July 1988)
Department of the Treasury
Internal Revenue Service

Recapture of Investment Credit
(Including Energy Investment Credit)
► Attach to your income tax return.

OMB No. 1545-0166
Expires 6-30-91
Attachment Sequence No. **65**

Name(s) as shown on return | **Identifying number**

Properties	Kind of property—State whether recovery or nonrecovery (see the instructions for Form 3468 for definitions). If energy property, show type. Also indicate if rehabilitation expenditure property.
A	
B	
C	
D	

Original Investment Credit

Computation Steps: (see Specific Instructions)	**Properties** A	B	C	D
1 Original rate of credit				
2 Date property was placed in service				
3 Cost or other basis				
4 Original estimated useful life or class of property				
5 Applicable percentage				
6 Original qualified investment (line 3 times line 5)				
7 Original credit (line 1 times line 6)				
8 Date property ceased to be qualified investment credit property				
9 Number of full years between the date on line 2 and the date on line 8				

Computation of Recapture Tax

10 Recapture percentage (from instructions)					
11 Tentative recapture tax (line 7 times line 10)					
12 Add line 11, columns A through D					
13 Enter tax from property ceasing to be at risk, or for which there was an increase in nonqualified nonrecourse financing (attach separate computation)					
14 Total—Add lines 12 and 13					
15 Portion of original credit (line 7) not used to offset tax in any year, **plus** any carryback and carryforward of credits you can now apply to the original credit year because you have freed up tax liability in the amount of the tax recaptured (Do not enter more than line 14—see instructions)					
16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return					

General Instructions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Use Form 4255 to figure the increase in tax for the recapture of investment credit for regular and energy property.

You must refigure the credit if you took it in an earlier year, but disposed of the property before the end of the recapture period or the useful life you used to figure the original credit. You must also refigure the credit if you returned leased property (on which you had taken a credit) to the lessor before the end of the recapture period or useful life.

You must refigure the credit if you changed the use of property so that it no longer qualifies as regular or energy investment credit property. For example, you must refigure the credit if you change the use of property from business use to personal use, or if there is any decrease in the percentage of business use of investment credit property. See sections 47(a)(3), 47(...)(5)(C), and 49(e)(2) for information on recapture for progress expenditure property. Also, see the

instructions for line 13 regarding recapture if property ceases to be at risk, or if there is an increase in nonqualified, nonrecourse financing related to certain at-risk property placed in service after July 18, 1984.

If certain "listed property" (i.e., transportation property, entertainment, recreation or amusement property, or certain home computer equipment) placed in service after June 18, 1984, ceases to be used more than 50% for business, you may have to recapture investment credit taken on the property. See section 280F for details.

An election to be treated as an S corporation does not automatically trigger recapture of investment credit taken before the election was effective. However, the S corporation is liable for any recapture of investment credit taken before the election.

If property on which you took both regular and energy investment credit ceases to be energy credit property, but still qualifies as regular investment credit property, you need only refigure the energy investment credit. However, if you took both credits, and you dispose of the property, or the property ceases to be both energy and regular investment credit property, you must refigure both credits.

If you are an S corporation, a partnership, or an estate or trust that allocated any or all of the investment credit to the beneficiaries, you must give your shareholders, partners, or beneficiaries the information they need to refigure the credit. See regulations sections 1.47-4, 1.47-5 and 1.47-6.

Partners, shareholders and beneficiaries.—If your Schedule K-1 shows that you must recapture investment credit taken in an earlier year, you will need your retained copy of the original Form 3468 to complete lines 1 through 9 of this Form 4255.

Special Rules.—If you took a credit on the following kinds of property, see the sections listed below before you complete Form 4255.

Property	Section
Motion picture films and video tapes	47(a)(8)
Ships	46(g)(4)
Commuter highway vehicles	47(a)(4)

If you took any nonconventional source fuel credit, see section 29(b)(4).

If, before the end of the recapture period, you dispose of recovery property placed in service after 1982 (or the business use percentage decreases), increase the basis of this property by 50% of the recapture amount unless you originally made the section 48(q)(4) election to take a reduced credit instead of reducing the basis of the property.

Note: *Legislation pending at the time this form went to print would change these rules for transition property (as defined in section 49(e)) that was placed in service after 1985 and was eligible for the regular percentage. The proposed legislation would permit you to increase the basis of this property by 100% of the recapture amount instead of 50%.*

For more information, see **Publication 572,** General Business Credit.

Specific Instructions

Note: *Do not figure the recapture tax on lines 1 through 12 for property ceasing to be at risk, or if there is an increase in nonqualified, nonrecourse financing related to certain at-risk property placed in service after July 18, 1984. Figure the recapture tax for these properties on separate schedules and enter the recapture tax on line 13. Include any unused credit for these properties on line 15.*

Lines A through D.—Describe the property for which you must refigure the credit.

Fill in lines 1 through 11 for each property on which you are refiguring the credit. Use a separate column for each item. If you must recapture both the energy investment credit and the regular investment credit for the same item, use a separate column for each credit. If you need more columns, use additional Forms 4255, or other schedules with all the information shown on Form 4255. Enter the total from the separate sheets on line 12.

Line 1.—Enter the rate you used to figure the original credit from the tables below.

Regular Investment Property

Qualifying property acquired or constructed and placed in service	10%

If at the time the credit was taken the regular 10% credit above was subject to all or part of the 35% reduction under section 49(c), reduce the 10% accordingly.

For example, if a 10% regular credit was used in calendar year 1987 where it was reduced by 17.5% under section 49(c), enter 8.25% on line 1 (10% minus 17.5% of 10%). If parts of the credit were used in different tax years (for example, part in 1986 where the full 10% was allowed, part in 1987 where the 10% credit was reduced under 49(c) by a portion of 35%, and part in 1988 where the credit was reduced by 35%), use a weighted average based on the portion of the credit used in each year.

Be sure to include any ESOP credit, or other credits listed under the special rules above.

See section 46(b)(4) for the rates for qualified rehabilitation expenditures made after 1981.

Energy Investment Property

See the table in section 46(b)(2)(A) for a listing of the energy percentages.

Line 2.—For both recovery and nonrecovery property, enter the first day of the first month, and the year, that the property was available for service.

Line 3.—Enter the cost or other basis that you used to figure the original credit.

Line 4.—Enter the estimated useful life that you used to figure the original credit for nonrecovery property. Enter the class of property for recovery property.

Line 5.—Enter the applicable percentage that you used to figure the original qualified investment from the tables below.

Nonrecovery Property

Original estimated useful life	Applicable percentage
3 or more but less than 5 years	33⅓%
5 or more but less than 7 years	66⅔%
7 or more years	100%

Recovery Property

Class of property	Applicable percentage
3-year	60%
Other	100%

Section 48(q) Election Recovery Property

(Placed in service after 12/31/82 and before 1/1/86)

Class of property	Applicable percentage
3-year	40%
Other	80%

Line 8.—Generally, this will be the date you disposed of the property. See regulations section 1.47-1(c) for more information.

Line 9.—Do not enter partial years. If the property was held less than 12 months, enter zero.

Line 10.—Enter the recapture percentage from the following tables.

Nonrecovery Property

If number of full years on line 9 of Form 4255 is:	The recapture percentage for property with an original useful life of: 3 or more but less than 5 years is	5 or more but less than 7 years is	7 or more years is
0	100	100	100
1	100	100	100
2	100	100	100
3	0	50	66.6
4	0	50	66.6
5	0	0	33.3
6	0	0	33.3

Recovery Property

If number of full years on line 9 of Form 4255 is:	The recapture percentage for: 3-year property is	Other than 3-year property is
0	100	100
1	66	80
2	33	60
3	0	40
4	0	20

Decrease in Business Use.—If you take investment credit for property and the percentage of business use in a later year falls below the percentage for the year placed in service, you are treated as having disposed of part of the property and may have to recapture part of the investment credit.

Line 12.—If you have used more than one Form 4255, or separate sheets to list additional items on which you figured an increase in tax, write on the dotted line "Tax from attached, $." Include the amount in the total for line 12.

Line 13.—For certain taxpayers, the basis or cost of property placed in service after February 18, 1981, is limited to the amount the taxpayer is at risk for the property at year end. For property placed in service after July 18, 1984, the basis or cost must be reduced by the amount of any "nonqualified, nonrecourse financing" related to the property at year end. If property ceases to be at risk in a later year, or if there is an increase in nonqualified, nonrecourse financing, recapture may be required. See section 47(d) for details. Attach a separate computation schedule to figure the recapture tax and enter the total tax on line 13.

Line 15.—If you did not use all the credit you originally figured, either in the year you figured it or in a carryback or carryforward year, you do not have to recapture the amount of the credit you did not use. In refiguring the credit for the original credit year, be sure to take into account any carryforwards from previous years, plus any carrybacks arising within the 3 taxable years after the original credit year that are now allowed because the recapture and recomputation of the original credit made available some additional tax liability in that year. See regulations section 1.47-1(d), Revenue Ruling 72-221, and Publication 572 for more information.

Note: *You must also take into account any reduction in credit under section 49(c)(2) when computing the amount to enter on line 15.*

Figure the unused portion on a separate sheet and enter it on this line. Do not enter more than the recapture tax on line 14.

Reminder: Be sure to adjust your current unused credit to reflect any unused portion of the original credit that was recaptured on this form.

Form **4469**

Department of the Treasury
Internal Revenue Service

Computation of Excess Medicare Tax Credit
(Hospital Insurance Benefits Tax Credit)

► **Attach to Form 1040.**

OMB No. 1545-0171

1988

Attachment Sequence No. **66**

Name(s) as shown on Form 1040

Your social security number

Use this form **only** if during the year:

(1) You were a medicare qualified government employee or a railroad employee representative; **and**

(2) You had wages under the social security program or compensation as a railroad employee; **and**

(3) The total of these wages combined with your taxable compensation as a medicare qualified government employee or as an employee representative under the railroad retirement program exceeded $45,000.

1 Total taxable compensation received as a medicare qualified government employee and total taxable Railroad Retirement Tax Act compensation for services rendered as an employee representative during the year; **or** $45,000, whichever is **smaller. Note:** *If you were employed by two or more government agencies, see the instructions for line 1*	1		
2 Total social security wages from Forms W-2 (other than as a medicare qualified government employee) plus compensation for services as a railroad employee; **or** $45,000, whichever is **smaller**	2		
3 Unreported tips subject to social security tax reported on Form 4137, Computation of Social Security Tax on Unreported Tip Income, line 9	3		
4 Add lines 1, 2, and 3. Enter the total ►	4		
5 Multiply the amount on line 4 by .0145. Enter the result	5		
6 Maximum employee's medicare tax	6	$652	50
7 Subtract line 6 from line 5. Enter the result here. Also include on Form 1040, line 60, and on the dotted line next to line 60, write "Form 4469." ►	7		

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	20 minutes
Learning about the law or the form	3 minutes
Preparing the form	10 minutes
Copying, assembling, and sending the form to IRS	17 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either **IRS** or the **Office of Management and Budget** at the addresses listed in the instructions for Form 1040.

Purpose of Form.—The maximum medicare (hospital insurance benefits) tax that may be imposed on an employee is $652.50 (.0145 of $45,000). This form enables you as a medicare qualified government employee or a railroad employee representative to figure any credit for excess medicare tax. A credit is allowed only if line 4 of this form is more than $45,000. If you are entitled to the credit, include it in the total of line 60 of Form 1040.

Medicare Qualified Government Employees.—A medicare qualified government employee is a Federal, state, or local government employee whose wages are subject only to the 1.45% (.0145) medicare tax.

Federal, state, and local government employees may claim a credit on this form if their combined wages from more than one government agency or their government wages plus wages from other employment that is subject to the full amount of social security or railroad retirement (RRTA) tax exceeds $45,000.

If, in addition to your government wages, you received wages in excess of $45,000 from two or more other employers and the full amount of FICA or RRTA was withheld, you may be entitled to a credit for excess FICA or RRTA tax. First, figure any excess medicare tax on this form and then figure any excess FICA or RRTA tax withheld on the worksheet on page 21 of the Form 1040 Instructions. Only FICA and RRTA tax withheld are entered on line 1 of the worksheet and not the medicare tax withheld on medicare qualified government wages.

Line 1—Employed by Two or More Government Agencies.—If you worked for more than one government agency during the year and your wages were only subject to the 1.45% medicare tax, ignore the instructions on line 1 of this form and enter your total government wages (but not over $45,000 for any one agency) on line 1 even if the total exceeds $45,000. For example, you were paid $50,000 by X agency and $20,000 by Y agency. Both agencies withheld the 1.45% medicare tax from your wages. On line 1 you should enter wages of $65,000 ($45,000 + $20,000), not $45,000 as the line 1 instructions state.

Form **4506**
(Rev. January 1987)
Department of the Treasury
Internal Revenue Service

Request for Copy of Tax Form

▶ **Please read instructions before completing this form.**

OMB No. 1545-0429
Expires 12-31-89

Important: Full payment must accompany your request.

1 Name of taxpayer(s) as shown on tax form (husband's and wife's, if joint return)	**6** Social security number as shown on tax form (if joint return, show husband's number)
	6a Wife's social security number as shown on tax form
2 Current name and address	**7** Employer identification number as shown on tax form
	8 Tax form number (Form 1040, 1040A, etc.)
3 If copy of form is to be mailed to someone else, show the third party's name and address.	**9** Tax period(s) (1983, etc.) (No more than 4 per request)
3a If we cannot find a record of your return, check here if you want the payment refunded to the third party. ☐	**10** Amount due for copy of tax form:
4 If name in third party's records differs from item 1 above, show name here. (See instructions for items 3, 3a, and 4.)	**a** Cost for each period . . . . . $ 4.25 **b** Number of periods requested in item 9 . . . . . **c** Total cost (multiply item 10a by item 10b) . . . . . $
	Make check or money order payable to Internal Revenue Service

5 Check the box to show what you want:

☐ Copy of tax form and all attachments. The charge is $4.25 for each period requested.
Note: *If you need these copies for court or administrative proceedings, also check here.* ☐

☐ Copy of Form W-2 only. There is no charge for this.

Please Sign Here ▶	Signature	Date
	Title (if item 1 above is a corporation, partnership, estate, or trust)	
	Telephone number of requester ( )	
	Convenient time for us to call	

Instructions

Privacy Act and Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need the information to gain access to your return in our files and properly respond to your request. If you do not furnish the information, we may not be able to fill your request.

Purpose of Form.—Use this form to request a copy of a tax return or Form W-2.

Note: *If you had your return filled out by a paid preparer, check first to see if you can get a copy from the preparer. This may save you both time and money.*

If you are not the taxpayer shown in item 1, you must send a copy of your authorization to receive the copy of the form. This will generally be a power of attorney, tax information authorization, or evidence of entitlement (for Title 11 Bankruptcy or Receivership Proceeding). If the taxpayer is deceased, you must send enough evidence to establish that you are authorized to act for the taxpayer's estate.

Copies of joint returns may be furnished to either the husband or the wife. Only one signature is required. If your name has changed, sign Form 4506 exactly as your name appeared on the return and also sign with your current name.

Please allow at least 45 days for delivery. Be sure to furnish all the information asked for on this form to avoid any delay in our sending your requested copies. (You must allow at least 6 weeks processing time after a return is filed before requesting a copy.)

Corporations, Partnerships, Estates, and Trusts.—For rules on who may obtain tax information on the entity, see Internal Revenue Code section 6103.

Items 3, 3a, and 4.—If you have named someone else to receive the tax form (such as a CPA, scholarship board, or mortgage lender), **you must include the name of an individual** with the address in item 3. Also, be sure to write the name of the client, student, or applicant in item 4 if it is different from the name shown in item 1. For example, item 1 may be the parents of a student applying for financial aid. Show the student's name in item 4 so the scholarship board will know what file to associate the return with. If we cannot find a record of your return, we will notify the third party directly that we cannot fill the request. If you checked the box in 3a, we will refund the payment for the copies to the third party.

Item 5.—If you want a copy of your Form W-2 only and not a copy of your tax return, be sure to check the box for Copy of Form W-2 only and in item 8 show "Form W-2 only"; in item 10c show "no charge."

If you need only tax account information and not a copy of your tax return or Form W-2, do not complete this form. See the instructions on the back under "Tax Account Information Only."

Items 6 and 6a.—For individuals, enter the social security number as shown on the tax form. For joint returns, show the husband's social security number in item 6 and the wife's in item 6a. If you do not furnish this information, there may be a delay in processing your request.

(Continued on back)

Item 9.—Enter the year(s) of the tax form you are requesting. For fiscal-year filers or requests for quarterly returns, enter the date the period ended. If you need more than four different periods, use additional request forms. Returns which were filed six or more years ago may not be available for making copies. However, tax account information is generally still available for these periods.

Item 10.—Write your social security number or Federal employer identification number and "Form 4506 Request" on your check or money order. If we cannot fill your request, we will refund your payment.

Where To File.—After you have completed this form, send it to the service center at the address shown in the last column for the location where you lived when the requested tax form was filed.

Note: *You must use a separate form for each service center from which you are requesting a copy of your tax form.*

Tax Account Information Only.—In addition to a copy of a tax form, we can provide a listing of certain tax account information, which is available free of charge and can be obtained by contacting your local IRS office. Generally, tax account information is needed because students applying for financial aid may be required to give the college a copy of their tax return. The school may, however, permit you to use tax return information provided by the IRS instead. If so, the following information will be sent.

(a) Name and social security number,
(b) Type of return filed,
(c) Marital status,
(d) Tax shown on return,
(e) Adjusted gross income,
(f) Taxable income,
(g) Self-employment tax, and
(h) Number of exemptions.

Form 1040A or 1040EZ Verification for Mortgage Revenue Bonds.— States issuing mortgage revenue bonds are required to verify that the mortgage applicant did not own a home during the 3 previous years. As part of this verification, the mortgage lender may want proof that you did not claim interest or real estate tax deductions for a residence on your return. If you have kept a copy of your return, or if it was filled out by a paid preparer and you can get a copy, the mortgage lender can accept your signed copy.

If you do not have a copy of your return and filed Form 1040A or 1040EZ, you can request tax account information, which will provide sufficient information to satisfy the mortgage lender. To get tax account information, do not complete this form. Instead, contact your local IRS office for this information.

If you filed Form 1040, you will have to get a copy of your return to verify that you did not claim any itemized deductions for a residence. To get a copy, please complete this form. Write "Mortgage Revenue Bond" across the top.

If you lived in ▼	Please mail to the following Internal Revenue Service Center ▼
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	P.O. Box 400 Holtsville, NY 11742
New York (*all other counties*), Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	P.O. Box 3006 Woburn, MA 01888
Alabama, Florida, Georgia, Mississippi, South Carolina	P.O. Box 47412 Doraville, GA 30362
Kentucky, Michigan, Ohio, West Virginia	P.O. Box 145500 Cincinnati, OH 45214
Kansas, Louisiana, New Mexico, Oklahoma, Texas	3651 South Interregional Highway Photocopy Unit Stop 6716 Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	TPR/Photocopy 38 P.O. Box 9956 Mail Stop 6734 Ogden, UT 84409
Illinois, Iowa, Missouri, Wisconsin	Photocopy Unit Stop 56 Kansas City, MO 64999
California, Hawaii	5045 E. Butler Avenue Photocopy Unit Stop 53260 Fresno, CA 93888
Arkansas, Indiana, North Carolina, Tennessee, Virginia	P.O. Box 2501 Memphis, TN 38101
Delaware, District of Columbia, Maryland, Pennsylvania, outside the United States	P.O. Box 920 Photocopy Unit Drop Point 536 Bensalem, PA 19020

Form **4562**

Department of the Treasury
Internal Revenue Service (L)

Depreciation and Amortization

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172

1988

Attachment Sequence No. **67**

Name(s) as shown on return

Identifying number

Business or activity to which this form relates

Part I **Depreciation** *(Use Part III for automobiles, certain other vehicles, computers, and property used for entertainment, recreation, or amusement.)*

Section A.—Election To Expense Depreciable Assets (Section 179)

(a) Description of property	(b) Date placed in service	(c) Cost	(d) Expense deduction
1			

2 Listed property—Enter total from Part III, Section A, column (h) 2
3 Total (add lines 1 and 2, but do not enter more than $10,000) 3
4 Enter the amount, if any, by which the cost of all section 179 property placed in service during this tax year is more than $200,000 4
5 Subtract line 4 from line 3. If less than zero, enter zero. (See instructions for other limitations.) 5

Section B.—Depreciation

(a) Class of property	(b) Date placed in service	(c) Basis for depreciation (Business use only—see instructions)	(d) Recovery period	(e) Method of figuring depreciation	(f) Deduction
6 Modified Accelerated Cost Recovery System (MACRS) (see instructions). For assets placed in service ONLY during tax year beginning in 1988					
a 3-year property					
b 5-year property					
c 7-year property					
d 10-year property					
e 15-year property					
f 20-year property					
g Residential rental property					
h Nonresidential real property					
7 Alternative Depreciation System (ADS)					

8 Listed property—Enter total from Part III, Section A, column (g) 8
9 MACRS deduction for assets placed in service prior to 1988 (see instructions) 9

Section C.—ACRS and/or Other Depreciation

10 Property subject to section 168(f)(1) election (see instructions) 10
11 ACRS and/or other depreciation (see instructions) 11

Section D.—Summary

12 Total (add deductions on lines 5 through 11). Enter here and on the Depreciation line of your return (Partnerships and S corporations—Do NOT include any amounts entered on line 5.) 12
13 For assets above placed in service during the current year, enter the portion of the basis attributable to section 263A costs. (see instructions) 13

Part II **Amortization**

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
1 Amortization for property placed in service **only** during tax year beginning in 1988					
2 Amortization for property placed in service prior to 1988					2
3 Total. Enter here and on Other Deductions or Other Expenses line of your return					3

Part III **Automobiles, Certain Other Vehicles, Computers, and Property Used for Entertainment, Recreation, or Amusement (Listed Property).**

If you are using the standard mileage rate or deducting vehicle lease expense, complete columns (a) through (d) of Section A, all of Section B, and Section C if applicable.

Section A.—Depreciation (If automobiles and other listed property placed in service after June 18, 1984, are used 50% or less in a trade or business, the section 179 deduction is not allowed and depreciation must be taken using the straight line method over 5 years. For other limitations, see instructions.)

Do you have evidence to support the business use claimed? ☐ Yes ☐ No If "Yes," is the evidence written? ☐ Yes ☐ No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business use percentage (%)	(d) Cost or other basis (See instructions for leased property)	(e) Basis for depreciation (Business use only—see instructions)	(f) Depreciation method and recovery period	(g) Depreciation deduction	(h) Section 179 expense

Total (Enter here and on line 2, page 1.)

Total (Enter here and on line 8, page 1.)

Section B.—Information Regarding Use of Vehicles

Complete this section as follows, if you deduct expenses for vehicles:

- *Always complete this section for vehicles used by a sole proprietor, partner, or other more than 5% owner or related person.*
- *If you provided vehicles to employees, first answer the questions in Section C to see if you meet an exception to completing this section for those items.*

	Vehicle 1		Vehicle 2		Vehicle 3		Vehicle 4		Vehicle 5		Vehicle 6	
1 Total miles driven during the year												
2 Total business miles driven during the year												
3 Total commuting miles driven during the year												
4 Total other personal (noncommuting) miles driven												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
5 Was the vehicle available for personal use during off-duty hours?												
6 Was the vehicle used primarily by a more than 5% owner or related person?												
7 Is another vehicle available for personal use?												

Section C.—Questions for Employers Who Provide Vehicles for Use by Employees.

*(Answer these questions to determine if you meet an exception to completing Section B. **Note:** Section B must always be completed for vehicles used by sole proprietors, partners, or other more than 5% owners or related persons.)*

	Yes	No
8 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
9 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? (See instructions for vehicles used by corporate officers, directors, or 1% or more owners.)		
10 Do you treat all use of vehicles by employees as personal use?		
11 Do you provide more than five vehicles to your employees and retain the information received from your employees concerning the use of the vehicles?		
12 Do you meet the requirements concerning qualified automobile demonstration use (see instructions)?		

Note: *If your answer to 8, 9, 10, 11, or 12 is "Yes," you need not complete Section B for the covered vehicles.*

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 4562

Depreciation and Amortization

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	29 hrs. and 39 min.
Learning about the law or the form	3 hrs. and 16 min.
Preparing and sending the form to IRS	3 hrs. and 54 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Items You Should Note

- Individual taxpayers making an election under section 171 to amortize bond premium do not have to complete Part II to make such election. Instead, attach a statement to your return showing the computation of the deduction.
- Taxpayers claiming any type of deduction for listed property (such as automobiles, computers, and property used for purposes of entertainment, recreation and amusement) must complete Part III on page 2, regardless of when such property was placed in service.
- As an alternative to depreciating a vehicle, self-employed individuals may elect to use the standard mileage allowance if two or more vehicles are not used at the same time. For more information, see **Pub. 917,** Business Use of a Car.
- All details of depreciation should be retained as part of your permanent books and records. See **Pub. 534,** Depreciation, for examples of how to keep depreciation records.

Purpose of Form

Use Form 4562 to claim your deduction for depreciation and amortization; to make the election to expense recovery property; and to provide information on the business use of automobiles and other listed property.

In using this form, a taxpayer should prepare and submit a separate Form 4562 for each business or activity on the return. If more space is needed, attach additional sheets.

For more information on depreciation, the election to expense newly acquired recovery property, and leased listed property, see Pub. 534 and Pub. 917. For more information on amortization (including depreciation/ amortization of leasehold expenses), see **Pub. 535,** Business Expenses.

Line-by-Line Instructions

Part I.—Depreciation

Depreciation is an amount deducted each year for assets, except land, acquired for business use or held to produce income. (Land is never depreciable.) Depreciation starts when you first use the property in your business. It ends when you take the property out of service; deduct all your depreciable cost; or no longer use the property in your business.

Complete Section A of Part III on page 2, instead of Part I, for depreciation of all "listed property," regardless of when such property was placed in service.

If any "listed property" placed in service after June 18, 1984, was used more than 50% in a trade or business in the year it was placed in service, and used 50% or less in a later year, part of the depreciation, section 179 deduction, and investment credit may have to be recaptured in the later year. Figure the depreciation and section 179 deduction to be recaptured on **Form 4797,** Sales of Business Property. Figure the investment credit to be recaptured on **Form 4255,** Recapture of Investment Credit.

Section A.—Election To Expense Depreciable Assets.—You may choose to expense part of the cost of depreciable personal property used in your trade or business and certain other property described in Pub. 534. To do so, you must have purchased (as defined in section 179(d)(2)) and placed the property in service during the 1988 tax year, or have a carryover of unused cost from 1987. If you take this deduction, the amount on which you figure your depreciation or amortization deduction must be reduced by the section 179 expense.

Note: *The following do not qualify as section 179 property: (1) property used 50% or less in your trade or business; and (2) property held for the production of income (section 212 property).*

An estate or trust may not elect to expense property. A partnership or S corporation may elect to expense a maximum of $10,000 and pass through the allocable portion to its partners or shareholders. Each partner's or shareholder's total section 179 expense deduction from all sources is limited to $10,000. See Pub.534 for more information.

Line 1.—

Column (a).—Enter the class of property (that is, 3-year, 5-year, etc.) for which you make the election and a brief description of the item. For a carryover of unused cost from 1987, enter "1987 carryover" and skip columns (b) and (c).

Column (b).—Enter the month and year you placed the property in service.

Column (c).—Enter the property's cost. Omit any undepreciated basis on assets you traded in. For information on basis, see **Pub. 551,** Basis of Assets.

Column (d).—Enter the part of the cost you choose to expense. You can choose to expense part of the cost of an asset and depreciate the rest of it.

Line 2.—If you choose to claim a section 179 expense deduction for automobiles and other listed property, complete Section A, Part III. See "Limitations for Automobiles" under Section A, Part III.

Line 4.—If you purchased more than $210,000 of "section 38 property" during the year, you may not expense any property under section 179.

Line 5.—If you are married filing separately, each spouse is limited to half the allowable amount unless you elect to allocate the section 179 expense in a different manner.

The amount on line 5 is further limited to the total taxable income (before deducting the section 179 expense) from all active trades or businesses you are engaged in. (For individuals the taxable income is the aggregate net income from any trade or business; for other entities it is the taxable income.) Any amount disallowed under this rule is treated as a carryover of unused cost for next year.

Section B.—Depreciation.—

NOTE: *Lines 6a through 6h should be completed for assets, other than automobiles and other listed property, placed in service only during the tax year beginning in 1988 and depreciated under the Modified Accelerated Cost Recovery System (MACRS) rules contained in section 168 (as amended by the Tax Reform Act of 1986). The term "Modified Accelerated Cost Recovery System" (MACRS) is used to distinguish the deductions computed under post-'86 rules from deductions prescribed under pre-'87 rules of the Accelerated Cost Recovery System (ACRS).*

Depreciation may be considered an adjustment for alternative minimum tax (AMT) purposes. See the appropriate AMT form that you are required to file: Form 6251– individuals, Form 4626– corporations, or Form 8656–estates and trusts.

Column (a).—

Types of Property.—Property is classified as follows:

3-Year Property.—This is property with a class life of 4 years or less. It includes a race horse over 2 years old at the time it is placed in service, and any other horse (other than a race horse) over 12 years old at the time it is placed in service.

5-Year Property.—This is property with a class life of more than 4, but less than 10 years. It includes automobiles or general purpose trucks; qualified technological equipment which includes computers and peripheral equipment; property used in connection with research and experimentation; and certain energy property specified in section 168(e)(3)(B)(vi).

7-Year Property.—This is property with a class life of 10 years or more, but less than 16 years. It includes office furniture and equipment, railroad track, a single purpose agricultural or horticultural structure, and any property not having a class life and not otherwise classified.

10-Year Property.—This is property with a class life of 16 years or more, but less than 20 years. It includes vessels, barges, tugs, and similar water transportation equipment.

15-Year Property.—This is property with a class life of 20 years or more, but less than 25 years. It includes depreciable land improvements, municipal wastewater treatment plant, and any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications.

20-Year Property.—This is property with a class life of 25 or more years. It includes municipal sewers.

Residential Rental Property.—This is a building in which 80 percent or more of the total rent is from dwelling units.

Nonresidential Real Property.—This is real property, other than residential rental property, which has a class life of at least 27.5 years.

See Pub. 534 for more information on class lives.

Column (b).—For lines 6g and 6h, enter the month and year the property was placed in service, or converted to use in a trade or business, or for the production of income.

Column (c).—To find the basis for depreciation, multiply the cost or other basis of the property by the percent of business use. From that result, subtract any section 179 expense deduction.

Column (d).—Enter the recovery period. This is usually the number of years that corresponds to the class of property in column (a). For example, for 3-year property the recovery period is 3 years; for 5-year property the recovery period is 5 years, etc. For residential rental property, the recovery period is 27½ years and for nonresidential real property, it is 31½ years.

If you use the alternative depreciation system (line 7), enter the recovery period or class life. (See section 168(g).)

Column (e).—Enter the method of figuring depreciation and convention by writing "DDB," "150% DB," or "SL," for depreciation method, and "½," "$^{1}/_{12}$," or "¼," for half-year, mid-month, or mid-quarter conventions, respectively.

Column (f).—Figure your depreciation deduction according to the instructions given below.

How To Figure Depreciation

The following instructions apply to figuring depreciation for line 6, column (f). Also, read the instructions below under "Mid-Quarter Convention" for information on when that convention must be used.

Revenue Procedure 87-57, 1987-2 C.B. 687 describes the applicable depreciation methods, recovery periods, and conventions that must be used in computing depreciation deductions for the general depreciation system (referred to as MACRS) and the alternative depreciation system under section 168.

Complete tables for both pre-'87 and post-'86 rules for all classes of property are in Pub. 534.

3-year property, 5-year property, 7-year property, and 10-year property.—Apply the half-year convention, and use the 200% declining balance method, switching to the straight-line method for the first year in which that method would result in a higher deduction. You may use optional Table (a) on page 4 to figure your depreciation. Apply the percentage shown in the table to the original basis each year. The table reflects the switch to the straight-line method. Also, see "Mid-Quarter Convention" below for a special rule.

15-year property and 20-year property.—Apply the half-year convention, and use the 150% declining balance method, switching to straight-line method for the first year in which that method results in a higher deduction. You may use optional Table (a) on page 4 to figure your depreciation. Apply the percentage shown in the table to the original basis each year. The table reflects the switch to the straight-line method. Also, see "Mid-Quarter Convention" below for a special rule.

Nonresidential Real Property and Residential Rental Property.—Use the straight-line method and apply the mid-month convention. You may use optional Tables (b) or (c) on page 4 to figure your depreciation. Apply the percentage shown in the table to the original basis each year.

Mid-Quarter Convention.—If more than 40% of the total basis of all property placed in service during the tax year was placed in service during the last 3 months of that year, you must use the "mid-quarter convention" for all property placed in service during the year (lines 6a–6f). This rule does not apply to nonresidential real property and residential rental property (lines 6g and 6h). The mid-quarter convention treats property which is placed in service or disposed of during a quarter as being placed in service or disposed of during the middle of the quarter.

In making the determination whether the mid-quarter convention applies, property subject to pre-1987 rules is taken into account. However, the mid-quarter convention applies only to property subject to the post-1987 rules.

To use the mid-quarter convention, figure depreciation for each asset using Table (a) on page 4. Multiply that result by 2 (because Table (a) is based on the half-year convention), and then multiply by the number of full quarters that the property was in service, plus one-half (.5) for the quarter in which the property was placed in service. Then divide that result by 4.

Subsequent year's depreciation can also be figured from the percentages shown in the tables contained in Pub. 534.

Election.—You may also elect to use the straight-line method over the recovery period (instead of the class life), using the same conventions discussed above. If elected, this method must also be used for all property in the same class that is placed in service during the tax year.

Caution: *Pending legislation would allow you to use 150% DB instead of 200% DB or straight line depreciation over the class life of the property for property other than residential rental or nonresidential real property.*

Line 7.—Alternative Depreciation System (ADS).—Instead of the methods discussed above, you may make an irrevocable election to use the straight-line method to figure depreciation for one or more classes of property. If elected, this method must be used for all property in the same class that is placed in service only during 1988.

To figure depreciation under this method, divide the basis for depreciation by the class life, and use the same conventions as explained above. If personal property does not have a class life, use 12 years. For certain exceptions, see section 168(g)(3)(B). For nonresidential real property and residential rental property, divide the basis for depreciation by 40, and use the mid-month convention. The election for nonresidential real property and residential rental property may be made separately for each property.

ADS must be used for the following:

- any tangible property used mostly outside the United States;
- any tax-exempt use property;
- any tax-exempt bond financed property; and
- any imported property covered by an Executive Order of the President of the United States.

Line 9.—MACRS deduction for assets placed in service prior to 1988.—For assets placed in service after 1986, or depreciated under post-'86 rules, enter the MACRS deduction for the current year.

The basis and amounts claimed for depreciation in prior years should be part of your permanent books and records. No attachment is necessary.

Section C.—ACRS and/or Other Depreciation.—Use Section C for property, other than automobiles and other listed property, you do not amortize or expense. This includes:

- ACRS property (pre-'87 rules);
- property placed in service before 1981;
- certain public utility property, which does not meet certain normalization requirements;
- certain property acquired from related persons;
- property acquired in certain nonrecognition transactions; and
- certain sound recordings, movies, and videotapes.

Line 10.—Property subject to section 168(f)(1) election.—Report property that you elect, under section 168(f)(1), to depreciate by the units-of-production method or any other method not based on a term of years (other than the retirement-replacement-betterment method).

On a separate sheet, attach: (1) a description of the property and what depreciation method you elect that excludes the property from ACRS or MACRS; and (2) the depreciable basis (cost or other basis reduced, if applicable, by salvage value, investment credit, and the section 179 expense).

Enter the depreciation deduction in column (f).

Line 11.—ACRS and/or other depreciation.—Enter the total depreciation attributable to assets, other than automobiles and other listed property, acquired before 1981 (pre-ACRS), property subject to ACRS, or property that cannot otherwise be depreciated under ACRS. For ACRS property, unless you use an alternate

percentage, multiply your basis for depreciation by the applicable percentage as follows:

3-year property—1st year (25%), 2nd year (38%), 3rd year (37%);

5-year property—1st year (15%), 2nd year (22%), 3rd through 5th year (21%);

10-year property—1st year (8%), 2nd year (14%), 3rd year (12%), 4th through 6th year (10%), 7th through 10th year (9%);

15-year public utility property—1st year (5%), 2nd year (10%), 3rd year (9%), 4th year (8%), 5th and 6th year (7%), 7th through 15th year (6%);

15-year, 18-year, and 19-year real property and low-income housing—Use the tables in Pub. 534.

If you elected an alternate percentage for any property listed above, use the straight-line method over the recovery period you chose in the prior year. See Pub. 534 for more information.

Note: *Taxpayers placing property in service after 1986 who are covered by transitional rules should figure their depreciation using the rules for assets placed in service before 1987. See sections 203 and 204 of the Tax Reform Act of 1986, and Pub. 534 for more information.*

This amount should be calculated from your permanent books and records. **No attachment is necessary.** For a sample worksheet, see Pub. 534.

Include any amounts attributable to the Class Life Asset Depreciation Range (CLADR) system. If you previously elected the CLADR system, you must continue to use it to depreciate assets left in your vintage accounts. You must continue to meet recordkeeping requirements.

If you elect CLADR for assets that do not qualify for ACRS, attach a statement that specifies the items that still apply to those listed in Regulations section 1.167(a)-11(f)(2).

Line 13—Section 263A Uniform Capitalization Rules.—If you are subject to the uniform capitalization rules of section 263A, enter the increase in basis from costs that are required to be capitalized. For a detailed discussion of who is subject to these rules, which costs must be capitalized, and allocation of costs among activities, see Temporary Regulations section 1.263A-1T.

Part II.—Amortization

Each year you may elect to deduct part of certain capital expenses over a fixed period. If you amortize property, the part you amortize does not qualify for the election to expense recovery property or depreciation.

For taxpayers (other than corporations) claiming a deduction for amortization of bond premium for bonds acquired after October 22, 1986, the deduction is treated as interest expense and is subject to the investment interest limitations. Use **Form 4952,** Investment Interest Expense Deduction, to compute the allowable deduction.

For reporting amortization of bond premium for bonds acquired before October 23, 1986, do not report the deduction here. See the instructions for Schedule A (Form 1040).

Line 1.—Complete line 1 only for property placed in service during your tax year beginning in 1988.

Column (a).—Describe the property you are amortizing. Amortizable property includes—

- Pollution control facilities (section 169, limited by section 291 for corporations).
- Certain bond premiums (section 171).
- Research and experimental expenditures (section 174).
- Business start-up expenditures (section 195).
- Qualified forestation and reforestation costs (section 194).
- Organizational expenditures for a corporation (section 248) or partnership (section 709).
- Optional write off of certain tax preferences over the period specified in section 59(e).

Column (b).—Enter the date you acquired or completed the property or spent the amount you are amortizing.

Column (c).—Enter the total amount you are amortizing. See the applicable Code section for limits on the amortizable amount.

Column (d).—Enter the Code section under which you amortize the property.

Attach any other information the Code and regulations may require to make a valid election. For additional information, see Pub. 535.

Line 2.—Enter the amount of amortization attributable to property placed in service before 1988.

Part III.— Automobiles and Other Listed Property

All taxpayers claiming any type of deduction for automobiles and other listed property, regardless of the tax year such property was placed in service, must provide the information requested in Part III. Listed property includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, etc.
- Any property of a type generally used for purposes of entertainment, recreation, or amusement (such as photographic, phonographic, communication, and video recording equipment).
- Computers or peripheral equipment.

Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in a taxpayer's trade or business or regular business establishment. Nor does it include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment.

Listed property does not include an ambulance, hearse, or vehicle used for transporting persons or property for hire.

Section A.—Depreciation

Column (a).—List on a property-by-property basis all of your listed property in the following order:

(1) Automobiles and other vehicles; and
(2) Other listed property (computers and peripheral equipment, etc.);

In column (a), list the make and model of automobiles, and give a general description of listed property.

If you have more than five vehicles used 100% in your trade or business, you may group them by tax year. Otherwise, list all vehicles separately.

Column (b).—Enter the date the property was placed in service. This is the date you first used the property for any purpose, whether personal or business.

Column (c).—Enter the percentage of business use. For automobiles and other "vehicles," this is determined by dividing the number of miles the vehicle is driven for purposes of a trade or business during the year by the total number of miles the vehicle is driven for any purpose. Treat vehicles used by employees (who are not more than 5% owners) as being used 100% in your trade or business if the value of personal use is included in the employees' gross income or the employees reimburse the employer for the personal use.

Employers who report the amount of personal use of the vehicle in the employee's gross income, and withhold the appropriate taxes, enter "100%" for the percentage of business use. For more information, see Pub. 917. For listed property (such as computers or video equipment), allocate the use based on the most appropriate unit of time the property is actually used. See Temp. Regs. 1.280F-6T.

If you have property that is used solely for personal use that is converted to business use during the tax year, figure the percentage of business use only for the number of months the property is used in your business. Multiply that percentage by the number of months the property is used in your business, and divide the result by 12.

Column (d).—Enter the property's actual cost. For leased property, enter the lease payment for the year.

Column (e).— Multiply column (d) by the percentage in column (c). From that result, subtract any section 179 expense and half of any investment credit taken before 1986 (unless you took the reduced credit). For automobiles and other listed property placed in service after 1985 (i.e., "transition property"), reduce the depreciable basis by the entire investment credit.

Column (f).—Enter the method of figuring your depreciation deduction. Write "DDB," "150% DB," or "SL," for the depreciation method, and "½," "$^1/_{12}$," or "¼," for half-year, mid-month, or mid-quarter conventions, respectively. For property placed in service before 1987, write "PRE" if you used the prescribed percentages under ACRS. If you elect an alternate percentage, or if the business percentage is 50% or less, enter "S/L."

Also, enter your recovery period. See the instructions to Part I, Section B, Column (d) for property used more than 50% in your trade or business. For listed property placed in service after 1986, and used 50% or less in your trade or business, you must use the alternative depreciation system. Enter 5 years for automobiles and computers. If placed in service before 1987, enter 5 years for automobiles and 12 years for computers.

Column (g).— If column (c) shows more than 50% use in a trade or business, multiply column (e) by the applicable

percentages given in the instructions for Section B, Part I, line 11 for property placed in service before 1987 or from Table (a) on page 4 for property placed in service after 1986. Treat automobiles as 5-year property (3-year property if placed in service before 1987) and computers as 5-year property.

If column (c) shows 50% or less use in a trade or business, and the property was placed in service after 1986, figure column (g) by dividing column (e) by column (f) and using the same half-year or mid-quarter convention as discussed on page 2 of the instructions. If placed in service before 1987 and after June 18, 1984, multiply column (e) by 20% for automobiles and 9% for computers.

For property used 50% or less in a qualified trade or business, no section 179 expense deduction is allowed.

For property placed in service before 1987 that was disposed of during the year, enter zero.

Limitations for Automobiles.—When calculating your depreciation plus section 179 expense deduction for automobiles for the first tax year in the recovery period, your deduction is limited to $2,560.

For succeeding tax years in the recovery period the deduction is limited to $6,000 if placed in service after June 18, 1984, but before January 1, 1985; $6,200 if placed in service after December 31, 1984, and before April 3, 1985; $4,800 if placed in service after April 2, 1985, and before January 1, 1987; $4,100 for the second tax year in the recovery period if placed in service after December 31, 1986; and $2,450 for the third tax year in the recovery period if placed in service after 1986.

Note: *These limitations are further reduced when the percentage of business use (column (c)) is less than 100%. For example, if an automobile placed in service in 1988 is used 60 percent for business, then the first year depreciation plus section 179 expense deduction is limited to 60 percent of $2,560, which is $1,536.*

For leased automobiles, see Pub. 917 and Temporary Regulations 1.280F-5T, for amounts to include in gross income.

See Temporary Regulations section 1.280F-7T for lease terms beginning after 1986.

Column (h).—Enter the amount you choose to expense for property used more than 50% in a qualified business use (subject to limitations noted above).

Section B.—Information Regarding Use of Vehicles

The information requested in Questions 1 through 7 must be completed for each vehicle identified in Section A.

Employees must provide their employers with the information requested in Questions 1 through 7 for each automobile or vehicle provided for their use.

Employers providing more than five vehicles to their employees, who are not more than 5% owners or related persons, are not required to complete Questions 1 through 7 for such vehicles. Instead, they must obtain this information from their employees, check "Yes" to Question 11, and retain the information received as part of their permanent records.

Section C.—Questions For Employers Who Provide Vehicles For Use By Employees

For employers providing vehicles to their employees, a written policy statement regarding the use of such vehicles, if initiated and kept by the employer, will relieve the employee of keeping separate records for substantiation.

There are two types of written policy statements that will satisfy the employer's substantiation requirements under section 274(d). The first type which prohibits personal use, including commuting, must meet the following conditions:

- The vehicle is owned or leased by the employer and is provided to one or more employees for use in the employer's trade or business;
- When the vehicle is not used in the employer's trade or business, it is kept on the employer's business premises, unless it is temporarily located elsewhere, for example, for maintenance or because of a mechanical failure;
- No employee using the vehicle lives at the employer's business premises;
- No employee may use the vehicle for personal purposes, other than de minimis personal use (such as a stop for lunch between two business deliveries); and
- The employer reasonably believes that, other than de minimis use, no employee uses the vehicle for any personal purpose.

The second type prohibits personal use, except for commuting. This is NOT available if the employee using the vehicle for commuting is an officer, director, or 1% or more owner. This type of written policy statement must meet the following conditions:

- The vehicle is owned or leased by the employer and is provided to one or more employees for use in the employer's trade or business and is used in the employer's trade or business;
- For bona fide noncompensatory business reasons, the employer requires the employee to commute to and/or from work in the vehicle;
- The employer establishes a written policy under which the employee may not use the vehicle for personal purposes, other than commuting or de minimis personal use (such as a stop for a personal errand between a business delivery and the employee's home);
- The employer reasonably believes that, except for de minimis use, the employee does not use the vehicle for any personal purpose other than commuting; and
- The employer accounts for the commuting use by including an appropriate amount in the employee's gross income.

For both written policy statements there must be evidence that would enable the IRS to determine whether use of the vehicle meets the conditions stated above.

An automobile is considered to have qualified demonstration use if the employer maintains a written policy statement that:

- prohibits its use by individuals other than full-time automobile salesmen;
- prohibits its use for personal vacation trips;
- prohibits storage of personal possessions in the automobile; and
- limits the total mileage outside the salesmen's normal working hours.

Property Placed in Service After 12-31-86

Table (a).—3-year, 5-year, 7-year, 10-year, 15-year, and 20-year property (Half-year convention)

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	33.33%	20.00%	14.29%	10.00%	5.00%	3.750%
2	44.45%	32.00%	24.49%	18.00%	9.50%	7.219%
3	14.81%	19.20%	17.49%	14.40%	8.55%	6.677%

Table (b).—Residential Rental Property (27.5-year) (Mid-month convention)

Year	Use the column for the month of taxable year placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	3.485	3.182	2.879	2.576	2.273	1.970	1.667	1.364	1.061	0.758	0.455	0.152%
2	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636%
3	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636%

Table (c).—Nonresidential Real Property (31.5-year) (Mid-month convention)

Year	Use the column for the month of taxable year placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	3.042	2.778	2.513	2.249	1.984	1.720	1.455	1.190	0.926	0.661	0.397	0.132%
2	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175%
3	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175%

Form **4563**

Department of the Treasury
Internal Revenue Service

Exclusion of Income for Bona Fide Residents of American Samoa

▶ **See instructions below.**
▶ **Attach to Form 1040.**

OMB No. 1545-0173

1988

Attachment Sequence No. **68**

Name(s) as shown on Form 1040 | **Your social security number**

A Date bona fide residence began ..... ended .....

B Kind of living quarters in American Samoa ▶ ☐ Rented room ☐ Rented house or apartment ☐ Quarters furnished by employer ☐ Purchased home

C Did any of your family live with you in American Samoa during any part of the tax year? ☐ Yes ☐ No
If "Yes," who and for what period? .....

D Did you maintain any home(s) outside of American Samoa? ☐ Yes ☐ No
If "Yes," show address of your home(s), whether it was rented, and the names and relationships of the occupants ▶ .....

E Name and address of employer (state if self-employed) ▶ .....

F List dates of and reasons for absences from American Samoa during 1988

Date of departure	Date of return	Number of days absent	Reason for absence

Include on lines 1 through 8 only income that qualifies for the exclusion. (See the instructions.)

1	Wages, salaries, tips, etc.	1	
2	Taxable interest income	2	
3	Dividend income	3	
4	Rent and royalty income	4	
5	Business income	5	
6	Farm income	6	
7	Capital gains	7	
8	Other income (list type and amount) ▶	8	
9	Add the amounts on lines 1 through 8 and enter the total. This is the amount you may exclude from your 1988 gross income ▶	9	

Instructions

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	33 min.
Learning about the law or the form	5 min.
Preparing the form	25 min.
Copying, assembling, and sending the form to IRS	17 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the Instructions for Form 1040.

Changes You Should Note

Beginning in 1988, new rules apply to: (1) determine if you qualify for the exclusion; (2) the income you may exclude; and (3) the deductions and credits you can take if you claim the exclusion.

Purpose

If you qualify, use Form 4563 to figure the amount of income you can exclude.

Who Qualifies

You qualify for the exclusion if you are a bona fide resident of American Samoa during all of 1988 (see **Bona Fide Residence Test** on page 2).

Note: *In future years, bona fide residents of Guam and the Commonwealth of the Northern Mariana Islands (CNMI) may qualify for the exclusion. They will not qualify, however, unless an implementation agreement is in effect between the possession and the United States. At the time this form went to print, neither Guam nor the CNMI had entered into an implementation agreement.*

Bona Fide Residence Test.—To qualify under this test you must be a bona fide resident of American Samoa for an uninterrupted period that includes a complete tax year (January 1–December 31, if you file a calendar year return).

No specific rule determines whether you are a bona fide resident of American Samoa. At the time this form went to print, regulations were being written defining the bona fide residence test under section 931. The following factors may be considered:

- Intent;
- Establishment of a permanent home;
- Assimilation into the social, cultural, and economic environment; and
- Physical presence.

Other factors that may be considered are the nature, extent and reasons for temporary absences; assumption of economic burdens and payment of taxes to American Samoa; existence of other homes outside American Samoa; and place of employment.

What Income Can Be Excluded

If you qualify, you can exclude the following:

- Income received from sources in America Samoa, Guam, and the CNMI; and
- Income effectively connected with the conduct of a trade or business in those possessions.

Get **Pub. 570,** Tax Guide for Individuals in U.S. Possessions, for information on how to determine the source of income.

Employees of the United States.—Amounts paid to you for services you performed as an employee of the U.S. Government or any of its agencies cannot be excluded. This applies to both civilian and military employees.

Income You Must Report on Form 1040

Even if you qualify for the exclusion, you must still report on Form 1040 your worldwide income (less the exclusion allowed by this form). This includes all income you received during 1988 that does not qualify for the exclusion. The source of that income does not matter.

Deductions and Credits You May Not Take on Form 1040

If you claim the exclusion, you may not take any deduction or credit on Form 1040 that is definitely related to the excluded income.

Deductions and credits that are **not** definitely related to any particular type of income must be allocated between your excludable income and your other income to find the amount you can claim on Form 1040. Examples of deductions that are not definitely related to any particular type of income are the standard deduction and certain itemized deductions (such as medical expenses, charitable contributions, and real estate taxes and mortgage interest on your personal residence).

For more information, including how to figure the amount allocable to the excluded income, see Pub. 570.

Note: *You can take a deduction for each exemption you are entitled to claim. This deduction is not considered allocable to the excluded income.*

Self-Employed Individuals

If you were self-employed and your net earnings from self-employment were $400 or more, you will generally have to pay self-employment tax on those earnings even though you can exclude them from your gross income. Use **Schedule SE** (Form 1040) to figure any self-employment tax due.

Where To File

Mail your return to the Internal Revenue Service Center, Philadelphia, PA 19255, U.S.A.

Note: *If you do not qualify for the exclusion, follow the Instructions for Form 1040. Report all your taxable income, including income from U.S., foreign, and possession sources. File your return with the Internal Revenue Service Center shown in the Form 1040 Instructions for the place where you live.*

Form **4684**

Department of the Treasury
Internal Revenue Service

Casualties and Thefts

▶ **See separate Instructions.**
▶ **To be filed with Form 1040, 1041, 1065, 1120, etc.**
Use a separate Form 4684 for each different casualty or theft.

OMB No. 1545-0177

1988

Attachment Sequence No. **26**

Name(s) as shown on tax return

Identifying number

SECTION A.—Personal Use Property *(Casualties and thefts to property **not** used in a trade or business or for income-producing purposes.)*

1 Description of Properties (Show kind, location, and date of purchase for each)
Property A
Property B
Property C
Property D

	Properties (Use a separate column for each property lost or damaged from one casualty or theft.)			
	A	B	C	D
2 Cost or other basis of each property				
3 Insurance or other reimbursement (whether or not you submit a claim). See Instructions. **Note:** *If line 2 is **more** than line 3, skip line 4.*				
4 Gain from casualty or theft. If line 3 is **more** than line 2, enter the difference here and skip lines 5 through 13				
5 Fair market value before casualty or theft				
6 Fair market value after casualty or theft				
7 Subtract line 6 from line 5				
8 Enter the **smaller** of line 2 or line 7				
9 Subtract line 3 from line 8				

10 Casualty or theft loss. Add amounts from line 9 for all columns	
11 Enter the amount from line 10 or $100, whichever is **smaller**	
12 Subtract line 11 from line 10	
Caution: *Use only one Form 4684 for lines 13 through 18.* 13 Add the line 12 amounts from all Forms 4684, Section A	
14 Add the line 4 amounts from all Forms 4684, Section A	
15 If line 14 is **more** than line 13, enter difference here and on Schedule D. Do not complete the rest of the form. (See Instructions.) Otherwise, enter zero and complete lines 16 through 18. If line 14 is **equal** to line 13, do not complete the rest of the form	
16 If line 13 is **more** than line 14, enter the difference	
17 Enter 10% of your adjusted gross income (Form 1040, line 31). Estates and trusts, see Instructions	
18 Subtract line 17 from line 16. If zero or less, enter zero. Enter on Schedule A (Form 1040), line 18. Estates and trusts, enter on the "other deductions" line of your tax return	

Name(s) as shown on tax return (Do not enter name and identifying number if shown on other side.) | Identifying number

SECTION B.—Business and income-producing Property (Note: If from a passive activity, see Instructions.)
(Casualties and thefts to property used in a trade or business or for income-producing purposes.)

Part I Casualty or Theft Gain or Loss (Use a separate Part I for each different casualty or theft.)

1 Description of Properties (Show kind, location, and date of purchase for each)
Property A
Property B
Property C
Property D

	Properties (Use a separate column for each property lost or damaged from one casualty or theft.)			
	A	B	C	D
2 Cost or adjusted basis of each property				
3 Insurance or other reimbursement (whether or not you submit a claim). See Instructions				
Note: *If line 2 is **more** than line 3, skip line 4*				
4 Gain from casualty or theft. If line 3 is **more** than line 2, enter difference here and on line 11 or 16, column (c). However, see Instructions for line 15. Also, skip lines 5 through 10				
5 Fair market value before casualty or theft				
6 Fair market value after casualty or theft				
7 Subtract line 6 from line 5				
8 Enter **smaller** of line 2 or line 7				
Note: *If the property was totally destroyed by casualty, or lost from theft, enter on line 8, in each column, the amount from line 2.*				
9 Subtract line 3 from line 8				

10 Casualty or theft loss. Add amounts from line 9 for all columns. Enter here and on line 11 **or** 16

Part II Summary of Gains and Losses (From separate Parts I)

(a) Identify casualty or theft	(b) Losses from casualties or thefts: (i) Trade, business, rental or royalty property	(b) Losses from casualties or thefts: (ii) Income-producing property	(c) Gains from casualties or thefts includible in income
Casualty or Theft of Property Held One Year or Less (6 months or less if acquired before 1/1/88)			
11			
12 Totals. Add amounts on line 11 for each column			
13 Combine line 12, columns (b)(i) and (c). Enter the net gain or (loss) here and on Form 4797, Part II, line 14. (If Form 4797 is not otherwise required, see Instructions.)			
14 Enter the amount from line 12, column (b)(ii) here and on Schedule A (Form 1040), line 21. Partnerships, S corporations, estates and trusts, see Instructions			
Casualty or Theft of Property Held More Than One Year (more than 6 months if acquired before 1/1/88)			
15 Casualty or theft gains from Form 4797, Part III, line 32			
16			
17 Total losses. Add amounts on line 16, columns (b)(i) and (b)(ii)			
18 Total gains. Add lines 15 and 16, column (c)			
19 Add amounts on line 17, columns (b)(i) and (b)(ii). *Partnerships, enter the amount from line 20 or line 21 on your Schedule K-1, line 7. S corporations, enter the amount from line 20 on your Schedule K-1, line 6.*			
20 If the loss on line 19 is **more** than the gain on line 18:			
a Combine line 17, column (b)(i) and line 18. Enter the net gain or (loss) here and on Form 4797, Part II, line 14. (If Form 4797 is not otherwise required, see Instructions.)			
b Enter the amount from line 17, column (b)(ii) here and on Schedule A (Form 1040), line 21. Estates and trusts, enter on the "other deductions" line of your tax return.			
21 If the loss on line 19 is **equal** to or **smaller** than the gain on line 18, combine these lines and enter here and on Form 4797, Part I, line 3			

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 4684

Casualties and Thefts

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	1 hour, 12 minutes
Learning about the law or the form	13 minutes
Preparing the form	58 minutes
Copying, assembling, and sending the form to IRS	35 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either **IRS** or the **Office of Management and Budget,** at the addresses listed in the instructions of the tax return with which this form is filed.

Loss From Deposit in Financial Institution

If you incurred a loss from a deposit in a bank, credit union, or other financial institution because the institution became insolvent or bankrupt, you may elect to treat the loss as a casualty loss, rather than as a bad debt loss. The election cannot be made by a 1% or more owner or officer of the financial institution, or by a relative of that person. To make the election, complete Form 4684 as follows: In Section A, line 1 indicate the name of the financial institution and write "Insolvent Financial Institution Election." Skip lines 2 through 9 and enter the amount of the loss on line 10.

Completing Form 4684

Page 1, Section A is for figuring casualty or theft gains and losses to property that **is not** used in a trade or business or for income-producing purposes.

Page 2, Section B is for figuring casualty or theft gains and losses to property that **is** used in a trade or business or for income-producing purposes.

If property is partly used in a trade or business, and partly used for personal purposes, such as a personal home with a rental unit, figure the personal part in Section A and the business part in Section B.

You may deduct losses arising from fire, storm, shipwreck, or other casualty, or theft (for example, larceny, embezzlement, and robbery).

If your property is covered by insurance, you must file a timely insurance claim for reimbursement of your loss. Otherwise, you cannot deduct this loss as a casualty or theft loss. However, the portion of the loss that is not covered by insurance is still deductible.

If the amount you received in insurance or other compensation is more than the cost or other basis of property, you have a casualty or theft gain.

Additional Information.—See the following publications for more information:

Pub. 547, Nonbusiness Disasters, Casualties, and Thefts;

Pub. 549, Condemnations and Business Casualties and Thefts;

Pub. 551, Basis of Assets; and

Pub. 584, Nonbusiness Disaster, Casualty, and Theft Loss Workbook.

When To Deduct a Loss

Deduct the part of your casualty or theft loss that is not reimbursable. Deduct it in the tax year the casualty occurred or the theft was discovered. However, a disaster loss may be treated differently. See **Special Rule for Disaster Losses,** below.

If you are not sure whether part of your casualty or theft loss will be reimbursed, do not deduct that part until the tax year when you are reasonably certain that it will not be reimbursed.

If you are reimbursed for a loss you deducted in an earlier year, include the reimbursement in your income in the year you received it, but only to the extent the deduction was used to reduce your tax in an earlier year.

If property is destroyed or lost by casualty or theft and replaced with similar property, the gain may be partially or wholly nontaxable. Report on this form only the part of the gain that is taxable.

Special Rule for Disaster Losses

A disaster loss is a loss which occurred in an area determined by the President of the United States to warrant Federal disaster assistance.

If your residence was located in a disaster area, include any loss to it caused by the disaster if the state or local government where the residence was located ordered it demolished or relocated because it was no longer safe for use as a residence. The demolition or relocation must have been ordered within 120 days after the residence was determined to be in a disaster area.

In figuring the loss to a relocated residence, use its value before relocation as the fair market value after the casualty.

You may elect to deduct a disaster loss in the prior tax year as long as the loss would otherwise be allowed as a deduction in the year it occurred.

This election must be made by filing your return or amended return by the later of the following two dates:

(1) The due date for filing your original return (without extensions) for the tax year in which the disaster actually occurred.

(2) The due date for filing your original return (including any extension) for the tax year immediately before the tax year in which the disaster actually occurred.

You may revoke your election within 90 days after making it by returning to the Internal Revenue Service any refund or credit you received from the election. If you revoke your election before receiving a refund, you must repay the refund within 30 days after receiving it.

The return claiming the disaster loss should specify the date or dates of the disaster and the city, town, county, and state in which the damaged or destroyed property was located.

Note: *To determine the amount to deduct for a disaster loss, you must take into account any benefits you received from Federal or state programs to restore your property.*

Line-by-Line Instructions

Section A

Use a separate column for lines 1 through 9 to show each item lost or damaged from a single casualty or theft. If more than four items were lost or damaged, use additional sheets following the format of lines 1 through 9.

Use a separate Section A of Form 4684 through line 12 for each different casualty or theft gain or loss to property

not used in a trade or business or for income-producing purposes.

Do not include any loss previously deducted on an estate tax return.

Line 2.—Cost or other basis usually means original cost plus improvements. Subtract any postponed gain from the sale of a previous main home. Special rules apply to property received as a gift or inheritance.

Line 3.—Enter on this line the amount of insurance or other reimbursement you received or expect to receive for each property. Include on this line your insurance coverage, whether or not you are submitting a claim for reimbursement. For example, your car worth $2,000 is totally destroyed in a collision. You are insured with a $500 deductible, but decide not to report it to your insurance company because you are afraid the insurance company will cancel your policy. In this case enter $1,500 on this line.

Lines 5, 6, and 7.—Fair market value is the price at which the property would change hands between a willing buyer and a willing seller. Replacement cost is not fair market value. The fair market value of property after a theft is zero.

Fair market value is generally determined by competent appraisal. This appraisal must take into account the effects of any general market decline that may occur at the same time as the casualty or theft. You may be able to use the cost of repairs to the damaged property as evidence of loss of value if:

- **(a)** The repairs are necessary to restore the property to the condition it was in immediately before the casualty;
- **(b)** The amount spent for repairs is not excessive;
- **(c)** The repairs only correct the damage; and
- **(d)** The value of the property after the repairs is not, as a result of the repairs, more than the value of the property immediately before the casualty.

To figure a casualty loss to real estate not used in a trade, business, or for income-producing purposes, measure the decrease in value of the property as a whole. All improvements, such as buildings, trees, and shrubs, are considered together as one item. Figure the loss separately for other items. For example, figure the loss separately for each piece of furniture.

Line 15.—If there is a net gain on this line, combine your short-term gains with your short-term losses, and enter the net short-term gain or loss on your Schedule D. Combine your long-term gains with your long-term losses and enter the net long-term gain or loss on your Schedule D. In both cases write "Form 4684, Section A."

Line 17.—Estates and trusts, figure adjusted gross income in the same way as individuals, except that the costs of administration are allowed in figuring adjusted gross income.

Section B

Use a separate column of Part I, lines 1 through 9, to show each item lost or damaged from a single casualty or theft. If more than four items were lost or damaged, use additional sheets following the format of Part I, lines 1 through 9.

Use a separate Section B, Part I of Form 4684, for each different casualty or theft gain or loss to property that is used in a trade or business or for income-producing purposes. Use one Section B, Part II, to combine all Sections B, Part I.

Passive Activity Gains and Losses

If you have a casualty or theft on property used in a passive activity, do not combine passive and nonpassive gains or losses on the same Form 4684. Instead, use one form for gains or losses from passive activities, and a separate one for nonpassive activities.

If you have a gain or loss from property used in a passive activity on lines 13, 14, 20a, 20b, or 21, get **Form 8582,** Passive Activity Loss Limitations. Follow the Separate Instructions for that form to figure how much of your casualty or theft losses is deductible.

If only part of a loss shown on the above lines is deductible because of the passive activity limitations, enter the deductible amount from Form 8582. On the line to the left of the entry space write **"PAL"** (for passive activity loss allowed).

See your tax return instructions for the definition of a passive activity. Also get **Pub. 925,** Passive Activity and At-Risk Rules, for more information.

Line 2.—Cost or adjusted basis usually means original cost plus improvements, minus depreciation allowed or allowable (including any deduction taken under section 179), amortization, depletion, etc. Special rules apply to property received as a gift or inheritance.

Line 3.—See the instructions for Section A, line 3.

Lines 5, 6, and 7.—Use information similar to Section A, lines 5, 6, and 7.

However, if you have a casualty loss from trade, business, or income-producing property, figure your loss separately for each item that is stolen, damaged, or destroyed. For example, if you had a rental property that was damaged by a storm, figure the loss on the building separately from any trees or shrubs that were damaged.

Lines 11 and 16.—Enter on line 11 all gains and losses to property held 1 year or less (6 months or less if acquired before January 1, 1988). Enter on line 16 all gains and losses to property held more than 1 year (more than 6 months if acquired before January 1, 1988). However, see the instructions for line 15, below. If part of one casualty or theft is short-term and part long-term, separate it according to how long the property was held.

Part II, Column (a).—Use a separate line for each different casualty or theft.

Part II, Column (b)(i).—Enter the part of line 10 from trade, business, rental, or royalty property.

Part II, Column (b)(ii).—Enter the part of line 10 from income-producing property.

Line 13.—If **Form 4797,** Sales of Business Property, is not otherwise required, enter the amount from this line on page 1 of your tax return, on the line identified as from Form 4797. Write "Form 4684."

Line 14.—Estates and trusts, enter on the "other deductions" line of your tax return. Partnerships, enter on Schedule K-1 (Form 1065), line 11. S corporations, enter on Schedule K-1 (Form 1120S), line 10. Write "Form 4684."

Line 15.—If you had a casualty or theft gain from certain trade, business, or income-producing property held more than 1 year (more than 6 months if acquired before January 1, 1988), you may have to recapture part or all of the gain as ordinary income. See the Instructions to Form 4797, Part III, for more information on the types of property subject to recapture. If recapture applies, complete Form 4797, Part III, and this line, instead of Line 16, Form 4684.

Line 20a.—Taxpayers, other than partnerships and S corporations, if Form 4797 is not otherwise required, enter amount from this line on page 1 of your tax return, on the line identified as from Form 4797. Write "Form 4684."

Form **4789**
(Rev. September 1988)
Department of the Treasury
Internal Revenue Service

Currency Transaction Report

▶ File a separate report for each transaction. ▶ Please type or print.
▶ For Paperwork Reduction Act Notice, see page 3.
(Complete all applicable parts—See instructions)

OMB No. 1545-0183
Expires 1-31-89
If amended report, see instructions and check here . . . ▶ ☐

Part I Identity of individual who conducted this transaction with the financial institution

1 If multiple individuals involved, see instructions and check here . . . . . ▶ ☐

2 Last name	3 First name	4 Middle initial	5 Social security number

6 Address (number and street) — 7 Occupation, profession, or business

8 City	9 State	10 ZIP code	11 Country (if not U.S.)

12 Method used to verify identity: a Describe ▶ ..... b Issued by ▶ ..... c Number ▶

13 Reason items 2-12 are not completed: a ☐ Armored car service (enter name) ▶ ..... b ☐ Mail deposit/shipment c ☐ Night deposit or ATM transaction d ☐ Multiple transactions (see instructions)

Part II Individual or organization for whom this transaction was completed

14 If multiple individuals or organizations are involved, see instructions and check here . . . . . ▶ ☐

15 Individual's last name	16 First name	17 Middle initial	18 Social security number

19 a Name of organization — b Check if: (1) ☐ broker/dealer in securities, or (2) ☐ financial institution (see instructions) — 20 Employer identification number

21 Address (number and street) — 22 Occupation, profession, or business

23 City	24 State	25 ZIP code	26 Country (if not U.S.)

Part III Customer's account number(s) affected by transaction

27 S ☐ Savings ▶ ..... T ☐ Securities ▶ ..... H ☐ CD/Money market ▶ .....
C ☐ Checking ▶ L ☐ Loan ▶ O ☐ Other (specify) ▶

Part IV Type of transaction. Check applicable boxes to describe transactions

28 ☐ Currency exchange (currency for currency)

29 CASH IN
- D ☐ Deposit
- S ☐ Security purchased
- P ☐ Check purchased
- F ☐ CD/Money market purchased
- W ☐ For wire transfer
- A ☐ Receipt from abroad
- X ☐ Other cash in (specify) ▶ .....

30 CASH OUT
- C ☐ Check cashed
- T ☐ Security redeemed
- W ☐ Withdrawal
- R ☐ CD/Money market redeemed
- U ☐ From wire transfer
- B ☐ Shipment abroad
- Y ☐ Other cash out (specify) ▶ .....

31 Total amount of currency transaction (in U.S. dollars) ▶ $	32 Amount in item 31 in $100 bills or higher $	33 Date of transaction (month, day, and year)

34 If other than U.S. currency is involved, please furnish the following information: a Exchange made ☐ for or ☐ from U.S. currency

b Currency name	c Country	d Total amount of each foreign currency (in U.S. dollars) . . ▶ $

35 If a check or wire transfer was involved in this transaction, please furnish the following information (see instructions):
a If more than one check or wire transfer is involved, see instructions and check here . . . . . ▶ ☐

b Date of check or wire transfer	c Amount of check or wire transfer (in U.S. dollars) $	d Payee

e Drawer of check — f Drawee bank and MICR number

Part V Financial institution where currency transaction took place

36 Check applicable box to indicate type of financial institution:
a ☐ Bank (enter code number from instructions here) ▶ .....
b ☐ Savings and loan association c ☐ Credit union d ☐ Security broker/dealer e ☐ Other

37 Name of financial institution — 38 Employer identification number

39 Address (number and street) — 40 Social security number

41 City	42 State	43 ZIP code	44 MICR number

Sign Here ▶	45 Signature (preparer)	46 Title	47 Date
	48 Type or print preparer's name	49 Approving official (signature)	50 Date

Multiple Transactions

(Complete applicable parts below if box 1, 14, or 35a on page 1 is checked)

Part I Continued—Complete if box 1 on page 1 is checked

2 Last name	3 First name		4 Middle initial	5 Social security number
6 Address (number and street)			7 Occupation, profession, or business	
8 City	9 State	10 ZIP code	11 Country (if not U.S.)	
12 Method used to verify identity b Issued by ▶	a Describe ▶		c Number ▶	

2 Last name	3 First name		4 Middle initial	5 Social security number
6 Address (number and street)			7 Occupation, profession, or business	
8 City	9 State	10 ZIP code	11 Country (if not U.S.)	
12 Method used to verify identity b Issued by ▶	a Describe ▶		c Number ▶	

Part II Continued—Complete if box 14 on page 1 is checked

15 Individual's last name	16 First name		17 Middle initial	18 Social security number
19 a Name of organization	b Check if: (1) ☐ broker/dealer in securities, or (2) ☐ financial institution (see instructions)			20 Employer identification number
21 Address (number and street)			22 Occupation, profession, or business	
23 City	24 State	25 ZIP code	26 Country (if not U.S.)	

15 Individual's last name	16 First name		17 Middle initial	18 Social security number
19 a Name of organization	b Check if: (1) ☐ broker/dealer in securities, or (2) ☐ financial institution (see instructions)			20 Employer identification number
21 Address (number and street)			22 Occupation, profession, or business	
23 City	24 State	25 ZIP code	26 Country (if not U.S.)	

Part IV Continued—Complete if box 35a on page 1 is checked

35 b Date of check or wire transfer	c Amount of check or wire transfer (in U.S. dollars) $	d Payee
e Drawer of check	f Drawee bank and MICR number	

35 b Date of check or wire transfer	c Amount of check or wire transfer (in U.S. dollars) $	d Payee
e Drawer of check	f Drawee bank and MICR number	

General Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell taxpayers why we are collecting this information, how we will use it, and whether you have to give it to us.

The requested information is useful in criminal, tax, and regulatory investigations. In addition to directing the Federal Government's attention to unusual or questionable transactions, the reporting requirement discourages the use of currency in illegal transactions. Financial institutions are required to provide the information under 31 CFR 103.22, 103.26, and 103.27.

The estimated average time needed to complete this form, depending on individual circumstances, is 26 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer TR:FP; or the **Office of Management and Budget**, Paperwork Reduction Project, Washington, DC 20503.

Who Must File.—Each financial institution other than a casino must file a Form 4789 for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to the financial institution, which involves a transaction in currency of more than $10,000. Multiple transactions by or for any person which in any one day total more than $10,000 should be treated as a single transaction, if the financial institution is aware of them.

Exemptions.—See 31 CFR 103.22(b) for exemptions from the filing requirements by banks on certain customers.

When and Where to File.—File this form by the 15th day after the date of the transaction with the Internal Revenue Service Data Center, P.O. Box 32621, Detroit, MI 48232 ATTN: CTR, or hand carry it to your local IRS office. Keep a copy of each Form 4789 for 5 years from the date you file it.

Penalties.—Civil and criminal penalties (up to $500,000) are provided for failure to file a report or to supply information, and for filing a false or fraudulent report. See 31 CFR, sections 103.47 and 103.49.

Definitions

Bank.—See 31 CFR 103.11 for the definition of a bank.

Currency.—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes, and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

Financial Institution.—Each agency, branch, or office in the United States of any person doing business in one or more of the capacities following:

(1) a bank;

(2) a broker or dealer in securities, registered or required to be registered with SEC under the Securities Exchange Act of 1934;

(3) a person who engages as a business in dealing in or exchanging currency (for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks);

(4) a person who engages as a business in issuing, selling, or redeeming traveler's checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;

(5) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

Person.—An individual, corporation, partnership, trust or estate, joint stock company, association, syndicate, joint venture, or other unincorporated organization or group, and all entities treated as legal personalities.

Transaction in Currency.—A transaction involving the physical transfer of currency from one person to another. A transaction in currency does not include a transfer of funds by means of bank check, bank draft, wire transfer, or other written order that does not include the physical transfer of currency.

Specific Instructions

Amended report.—If this amends a previously filed report, check the box in the upper right corner. Staple a copy of the previously filed report to this amended report and complete only those entries which you are correcting on the amended report.

Part I—Identity of individual who conducted the transaction.—This part must always be completed. If the individual conducts the transaction for another person, be sure to complete Part II also.

Box 1—Multiple individuals.—If two or more individuals conduct a transaction, check Box 1. All individuals must be positively identified. Enter information in Part I for one of the individuals. Complete the entry spaces on the back of the form for the other individuals. For example, a check made out to John Doe and Thomas Smith may be presented for payment at a financial institution. Both of the joint payees are present. Complete Part I on the front of the form for John Doe, and complete Part I on the back for Thomas Smith.

Items 2, 3, and 4—Name of person conducting transaction.—Enter the last name in Item 2, the first name in Item 3, and the middle initial in Item 4.

Item 5—Social security number.—A social security number must be provided if an individual is conducting the transaction for himself or herself. If the individual is conducting a transaction for another person or is a nonresident alien who does not have a social security number, write NONE in the space and complete Item 12.

Items 6, 8, 9, 10, and 11—Address.—Enter the permanent address, including ZIP code, of the individual who entered the financial institution to conduct the transaction. A P.O. Box number is not a street address.

Item 7—Occupation, profession, or business.—Fully identify the occupation, profession or business of the individual conducting the transaction; for example, secretary, carpenter, attorney, etc. Do not use nondescriptive terms such as merchant, self-employed, businessman, etc.

Item 12—Method used to verify identity.—All individuals (except employees of armored car services) conducting a currency transaction for themselves or for another person must be positively identified. For individuals who are established customers, identifying information previously obtained from the customer and in the financial institution's records may be provided. Statements such as "known customer" are not sufficient as identifying information. For U.S. citizens, ask to see and inspect a driver's permit or any other written identification document acceptable to the financial institution in normal check cashing operations. For an alien, ask to see and inspect his or her passport, alien ID card, or other official document showing nationality or residence. Enter the type of document in Item a, such as driver's license, signature card, charge card, passport, etc. Enter in Item b, the name of the state issuing the driver's permit, the name of the bank or store issuing the charge card, etc. Enter the number of the license, account, card, etc., in Item c.

Item 13—Reason items 2-12 not completed; armored car service, mail, night deposit, or ATM transaction.—Check Box a if the transaction was a delivery by an armored car service licensed by a state or local government. Enter the name of the armored car service in the space provided.

Check Box b if the currency was received or shipped through the U.S. Postal Service.

Check Box c if the transaction was a night deposit or an ATM (automated teller machine) transaction.

Check Box d if this report involves multiple transactions that when totalled became a reportable transaction and the individual(s) who conducted the transactions cannot be identified.

If you check Box a, b, c, or d, you do not have to complete any other entries in Part I. However, be sure to complete Parts II, III, IV, and V.

Part II—Individual or organization for whom transaction was completed.—If the individual in Part I is conducting the transaction for himself or herself, do not complete Part II. In all other cases, including armored car service, mail, night deposit, or ATM transactions, complete Part II.

Box 14—Multiple individuals or organizations.—If this transaction is being conducted for more than one individual or organization, check Box 14, and complete the applicable entries on the back of the form. Do this also if the individual in Part I conducts a transaction that involves both himself or herself and another individual or organization.

Items 15, 16, and 17—Name of individual.—Enter the last name in Item 15, first name in Item 16, and middle initial in Item 17, of the individual for whom the transaction was completed.

Item 18—Social security number.—Enter the social security number of the individual for whom the transaction was completed. You will have this in your records. If the individual is a nonresident alien and does not have a social security number, write NONE in the space for the number.

Items 19 and 20—Organization's name and EIN.—If the transaction involves a business, show the business name in Item 19a, and the employer identification number (EIN) in Item 20. This is a 9-digit number shown as 00-0000000. If the organization does not have an EIN, write NONE in Item 20.

Check Box 19b(1) if the individual or organization is a broker or dealer in securities. Check Box 19b(2) if the individual or organization is a financial institution described in item (3), (4), or (5) under the ***Definitions*** of a ***Financial Institution*** on page 3.

Items 21, 23, 24, 25, and 26—Address.—Enter the permanent address including the ZIP code of the individual or organization for whom the transaction is completed in the appropriate boxes. If the address is outside the U.S., be sure to show the country in Item 26. A P.O. Box number is not a street address.

Item 22—Occupation, profession, or business.—Fully identify the occupation, profession, or business of the individual or organization for whom the transaction was completed. Use descriptive terms, such as securities broker, attorney, auto dealer, etc. Do not use nondescriptive terms, such as self-employed, merchant, businessman, etc.

Part III—Customer's account number affected by the transaction.

Box 27—Type of account and account number.—Check the boxes and enter the account numbers of the accounts affected by the transaction. If a deposit or withdrawal is made from a savings, checking, share, or other account, check the appropriate box and enter the account number. Other accounts would include all accounts with broker-dealers. If the transaction does not affect any account, make no entry in Part III. For example, a cashiers check purchased with cash may not affect any account and does not require any entry in this part. Please note that the code letters before the boxes are for IRS processing purposes.

Part IV—Type of transaction.—Check the boxes that describe the transaction. For international transactions with foreign financial agencies (banks, currency exchange dealers, securities dealers, etc.) involving receipts of currency for deposit, purchases of currency, withdrawal, shipments of currency for deposit, or sales of currency, check the appropriate box "Receipts from abroad" or "Shipments abroad" in Item 29 or 30.

Box 28—Currency exchange.—Check this box if currency was exchanged for currency. This includes exchanging U.S. currency for foreign currency (be sure to complete Item 34) and vice versa. It also includes exchanging small denomination bills of U.S. currency for large denomination bills of U.S. currency, or vice versa.

Box 29—Cash in.—Check the appropriate box(es) when currency is received by the financial institution as part of a transaction.

Box 30—Cash out.—Check the appropriate box(es) when the financial institution pays out currency as part of a transaction.

Item 31—Total amount of currency.—Enter the total amount of currency in the transaction. If a transaction involves both currency and checks, such as a deposit transaction, enter only the amount of the currency.

Item 32—Amount in $100 bills or higher.—Enter the amount of the total currency transaction reported in Item 31 that is in denominations of U.S. currency of $100 or higher. For example, if the total currency transaction is $100,000 and $50,000 is in U.S. currency of $100 or higher denominations, enter $100,000 in Item 31 and $50,000 in Item 32.

Item 33—Date.—Enter the month, day, and year of the currency transaction. Use the actual calendar date, not the banking day date.

Item 34—Foreign currency.—If the currency transaction involves a foreign currency, enter the information in the appropriate spaces. Enter the name of the currency in Item b, the country in Item c, and the total amount of the foreign currency in U.S. dollars in Item d. Check the appropriate box in Item a, if foreign currency was exchanged for U.S. currency or U.S. currency was exchanged for foreign currency. For example, a currency transaction involving Italian lira being deposited would have lira entered in Item b, Italy entered in Item c, and the amount, converted into U.S. dollars, entered in Item d. Since currency was not exchanged, no entry is made in Item a. If currency of two or more foreign countries is involved in the transaction, attach a separate sheet of paper that clearly identifies the individual or organization for whom the transaction was completed (Items 15 through 20) and report the information for each foreign currency required by Item 34.

Item 35—Check or wire transfer.—If multiple checks or wire transfers are involved in the transaction, check Box a and furnish the information for one of the instruments on the front of the form and for the other instruments on the back of the form in the spaces provided. If you have to report more instruments than there are entry spaces, attach a sheet of paper that clearly identifies the individual or organization for whom the transaction is completed (Items 15 through 20) and furnish the information for Items b through f for each check or wire transfer.

Date.—Enter the date shown on the check or the wire transfer of funds in Item b.

Amount.—Enter the amount of the check or wire transfer in Item c. Show the amount in U.S. dollars only.

Payee.—Enter the name of the individual or organization to whom the check or wire transfer of funds is made payable in Item d.

Drawer.—Enter the name of the individual or organization that wrote the check or who wire transferred funds in Item e.

Drawee bank and MICR number.—Enter the name of the bank and MICR number on which the check or wire transfer of funds is drawn in Item f.

Part V.—Financial institution where transaction took place.

Box 36—Type of financial institution.—Check the box that describes the type of financial institution you are.

Box 36a—Banks.—Enter the appropriate code number for the Federal agency that performs examinations for compliance with the Bank Secrecy Act regulations.

Code 1—Comptroller of the Currency

Code 2—FDIC

Code 3—Federal Reserve System

Code 4—None of the above

Items 37, 39, 41, 42, 43, and 44—Name, address, and MICR number.—Enter the full legal name, street address, city, State, ZIP code, and MICR number of the financial institution where the transaction occurred. ***If the transaction occurred at a branch office, enter the complete street address and MICR number of the branch, not the headquarter's address and MICR number.*** A P.O. Box number is not a street address. Enter the MICR number in Item 44.

Item 38—EIN.—Enter the financial institution's employer identification number (EIN).

Item 40—SSN.—If the financial institution does not have an EIN, enter the financial institution owner's social security number.

Items 45, 46, 47, and 48—Preparer's signature, title, and date.—Form 4789 must be signed in Item 45 by an individual authorized or designated by the financial institution to sign it. His or her title should be shown in Item 46 and the date of signature entered in Item 47. This signer's name should be typed or printed legibly in Item 48.

Items 49 and 50—Approving official's signature and date.—The official who reviews and approves the information on the form must sign in Item 49 and enter the date of signing in Item 50.

Form **4797**

Department of the Treasury
Internal Revenue Service (L)

Sales of Business Property

(Also, Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F)

▶ **Attach to your tax return. See separate Instructions.**

OMB No. 1545-0184

1988

Attachment Sequence No. **27**

Name(s) as shown on return | **Identifying number**

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (More Than 6 Months If Acquired Before 1/1/88)

1 Enter here the gross proceeds from the sale or exchange of real estate reported to you for 1988 on Form(s) 1099-S (or an equivalent statement) that you will be including on lines 2 or 10 (column d), or on line 20. (Form 1099-S is a Statement for Recipients of Proceeds From Real Estate Transactions.) . . . 1

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS ((f) minus the sum of (d) and (e))	(h) GAIN ((d) plus (e) minus (f))
2							

3 Gain, if any, from Form 4684, Section B, line 21 . . . .

4 Section 1231 gain from installment sales from Form 6252, line 22 or 30 . . . .

5 Gain, if any, from Part III, line 32, from other than casualty and theft . . . .

6 Add lines 2 through 5 in columns (g) and (h) . . . ( )

7 Combine columns (g) and (h) of line 6. Enter gain or (loss) here, and on the appropriate line as follows (partnerships see the instructions for line references):

If line 7 is zero or a loss, enter the amount on line 11 below and skip lines 8 and 9. (S corporations enter the loss on Schedule K (Form 1120S), line 5.) If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain as a long term capital gain on Schedule D and skip lines 8, 9, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see Instructions) . . . .

9 Subtract line 8 from line 7. If zero or less, enter zero . . . .

If line 9 is zero, enter the amount from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the amount from line 9 as a long term capital gain on Schedule D. See Specific Instructions for line 9.

Part II Ordinary Gains and Losses

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS ((f) minus the sum of (d) and (e))	(h) GAIN ((d) plus (e) minus (f))
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less) (6 months or less if acquired before 1/1/88):							

11 Loss, if any, from line 7 . . . .

12 Gain, if any, from line 7, or amount from line 8 if applicable . . . .

13 Gain, if any, from line 31, Part III . . . .

14 Net gain or (loss) from Form 4684, Section B, lines 13 and 20a . . . .

15 Ordinary gain from installment sales from Form 6252, line(s) 21 and/or 29 . . . .

16 Recapture of section 179 deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see Instructions) . . . .

17 Add lines 10 through 16 in columns (g) and (h) . . . ( )

18 Combine columns (g) and (h) of line 17. Enter gain or (loss) here, and on the appropriate line as follows . . . .

a For all except individual returns: Enter the gain or (loss) from line 18, on the return being filed.

b For individual returns:

(1) If the loss on line 11 includes a loss from Form 4684, Section B, Part II, column (b)(ii), enter that part of the loss here and on line 21 of Schedule A (Form 1040). Identify as from "Form 4797, line 18b(1)"

(2) Redetermine the gain or (loss) on line 18, excluding the loss (if any) on line 18b(1). Enter here and on Form 1040, line 15

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
Skip section 1252 on line 27 and in the instructions if you did not dispose of farmland or if you are a partnership.

19 Description of sections 1245, 1250, 1252, 1254, and 1255 property	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
A		
B		
C		
D		

Relate lines 19A through 19D to these columns ▶	Property A	Property B	Property C	Property D
20 Gross sales price				
21 Cost or other basis plus expense of sale				
22 Depreciation (or depletion) allowed (or allowable)				
23 Adjusted basis. subtract line 22 from line 21				
24 Total gain. subtract line 23 from line 20				
25 If section 1245 property:				
a Depreciation allowed (or allowable) (see instructions)				
b Enter the **smaller** of line 24 or 25a				
26 If section 1250 property: If straight line depreciation was used, enter zero on line 26g unless you are a corporation subject to section 291.				
a Additional depreciation after 12/31/75				
b Applicable percentage times the **smaller** of line 24 or line 26a (see instructions)				
c Subtract line 26a from line 24. If line 24 is not more than line 26a, skip lines 26d and 26e				
d Additional depreciation after 12/31/69 and before 1/1/76				
e Applicable percentage times the **smaller** of line 26c or 26d (see instructions)				
f Section 291 amount (for corporations only)				
g Add lines 26b, 26e, and 26f				
27 If section 1252 property:				
a Soil, water, and land clearing expenses				
b Line 27a times applicable percentage (see instructions)				
c Enter the **smaller** of line 24 or 27b				
28 If section 1254 property:				
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions)				
b Enter the **smaller** of line 24 or 28a				
29 If section 1255 property:				
a Applicable percentage of payments excluded from income under section 126 (see instructions)				
b Enter the **smaller** of line 24 or 29a				

Summary of Part III Gains (Complete property columns A through D through line 29b before going to line 30.)

30 Total gains for all properties (add columns A through D, line 24)	
31 Add columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and in Part II, line 13. (see the instructions for Part IV if this is an installment sale)	
32 Subtract line 31 from line 30. Enter the portion from casualty and theft on Form 4684, Section B, line 15. Enter the portion from other than casualty and theft on Form 4797, Part I, line 5	

Part IV Complete This Part Only if You Elect Out of the Installment Method and Report a Note or Other Obligation at Less Than Full Face Value

33 Check here if you elect out of the installment method	▶ ☐
34 Enter the face amount of the note or other obligation	▶
35 Enter the percentage of valuation of the note or other obligation	▶

Part V Computation of Recapture Amounts Under Sections 179 and 280F When Business Use Drops to 50% or Less (See Instructions for Part V.)

	(a) Section 179	(b) Section 280F
1 Section 179 expense deduction or section 280F recovery deductions		
2 Depreciation or recovery deductions (see instructions)		
3 Recapture amount (subtract line 2 from line 1) (see instructions for where to report)		

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 4797

Sales of Business Property

(Also, Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F)

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	30 hrs., 37 min.
Learning about the law or the form	11 hrs., 17 min.
Preparing the form	16 hrs., 56 min.
Copying, assembling, and sending the form to IRS	1 hrs., 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either **IRS** or the **Office of Management and Budget**, at the addresses listed in the instructions of the tax return with which this form is filed.

A Change To Note

The holding period for section 1231 property acquired after 12-31-87 is more than 1 year.

Purpose of Form

Form 4797 is used to report the following:

- The sale or exchange of trade or business property, depreciable and amortizable property, oil, gas, geothermal, or other mineral properties, and section 126 property.
- The involuntary conversion (other than casualty or theft) of trade or business property and capital assets held in a trade or business or a transaction entered into for profit.
- Disposition of other noncapital assets.
- Recapture of section 179 deductions for partners and S corporation shareholders from property dispositions by partnerships and S corporations.
- The computation of recapture amounts under sections 179 and 280F when the business use of section 179 or 280F property drops to 50% or less.

Other Forms To Use.—Use **Form 4684,** Casualties and Thefts, to report involuntary conversions from casualties and thefts. If you sold property on which you claimed investment credit, get **Form 4255,** Recapture of Investment Credit, to see if you must recapture some or all of the credit.

Examples of Items Reportable on This Form—Where To Make First Entry

Below are common examples of items reportable on this form. Columns (b) and (c) show where to make the first entry on Form 4797.

(a)	Held 1 year or less (6 months or less if acquired before 1-1-88) (b)	Held more than 1 year (more than 6 months if acquired before 1-1-88) (c)
1 Depreciable trade or business property:		
a Sold or exchanged at a gain	Part II	Part III (1245)
b Sold or exchanged at a loss	Part II	Part I
2 Depreciable residential rental property:		
a Sold or exchanged at a gain	Part II	Part III (1250)
b Sold or exchanged at a loss	Part II	Part I
3 Cattle and horses used in a trade or business for draft, breeding, dairy, or sporting purposes:		
a Held for less than 24 months from acquisition date, sold at a gain or loss	Part II	Part II
b Held for 24 months or more from acquisition date:		
(1) Sold at a gain	Not applicable	Part III (1245)
(2) Sold at a loss	Not applicable	Part I
(3) Raised cattle and horses sold at a gain	Not applicable	Part I
4 Livestock other than cattle and horses used in a trade or business for draft, breeding, dairy, or sporting purposes:		
a Held less than 12 months from acquisition date, sold at a gain or loss	Part II	Part II
b Held for 12 or more months from acquisition date:		
(1) Sold at a gain	Part II	Part III (1245)
(2) Sold at a loss	Part II	Part I
(3) Raised livestock sold at a gain	Part II	Part I
5 Farmland held less than 10 years upon which soil, water, and/or land clearing expenses were deducted:		
a Sold at a gain	Part II	Part III (1252)
b Sold at a loss	Part II	Part I
6 Disposition of cost-sharing payments described in section 126	Part III (1255)	Part III (1255)

Special Rules

Exchange of "Like-Kind" Property.—Report the exchange of "like-kind" property on Schedule D or on Form 4797, whichever applies. Report the exchange even though no gain or loss is recognized when you exchange business or investment property for property of "like-kind." For exceptions, get **Pub. 544,** Sales and Other Dispositions of Assets.

If you use Form 4797 to report the exchange, identify on line 2, column (a), the property you disposed of. Enter the date you acquired it in column (b), and the date you exchanged it in column (c). Write "like-kind exchange" in column (d). Enter the depreciation allowed (or allowable) in column (e) and the cost or other basis in column (f). Enter zero in columns (g) and (h). (See section 1031.)

Recapture of Preproductive Expenses.—If you elected out of the uniform capitalization rules of section 263A, any plant or animal that you produce is treated as section 1245 property. Any gain from the disposition of such property is ordinary income to the extent of the total amount of the deductions that, but for the election, would have been required to be capitalized for that plant or animal. To figure the amount of gain that is ordinary income, you can use the farm-price or unit-livestock method to determine the deductions that otherwise would have been capitalized. Enter the recapture amount taxed as ordinary income on line 22. See **Pub. 225,** Farmer's Tax Guide, for more information.

Involuntary Conversion of Property.—You may not have to pay tax on a gain from an involuntary or compulsory conversion of property. Get Pub. 544 for details.

Passive Loss Limitations.—If you report a loss on an asset used in a passive activity, use **Form 8582,** Passive Activity Loss Limitations, to see how much of the loss is allowed before entering it on Form 4797. Gains from assets used in a passive activity should be reported on Form 4797 but also used on Form 8582.

Unused passive activity credits are not allowable when you dispose of your interest in an activity. However, if you dispose of your entire interest in an activity, you may elect to increase the basis of the credit property by the amount of the original basis reduction of the property to the extent that the credit has not been allowed by reason of the passive activity rules. No basis adjustment may be elected on a partial disposition of your interest in an activity.

Get **Pub. 925**, Passive Activity and At-Risk Rules, for details.

At-Risk Rules.—If you report a loss on an asset used in an activity for which you are not at risk, in whole or in part, see the instructions for **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c). Also get Pub. 925. Losses from passive activities are first subject to the at-risk rules and then the passive activity rules.

Transfer of Appreciated Property to Political Organizations.—Treat a transfer of property to a political organization as a sale of property on the date of transfer if the property's fair market value when transferred is more than your adjusted basis. Apply the ordinary income or capital gains provisions as if a sale actually occurred. (See section 84.)

Allocation of Purchase Price.—If you acquire or dispose of assets which constitute a trade or business, the buyer and seller must allocate the total purchase price using the "residual method", and file **Form 8594**, Asset Acquisition Statement.

Form 1099-A, Information Return for Acquisition or Abandonment of Secured Property.—If you receive a Form 1099-A from your lender, you may have gain or loss to report because of acquisition or abandonment. Get Pub. 544 for more information.

Specific Instructions

Part I.—Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty and Theft (Section 1231)

Section 1231 transactions are:

- Sales or exchanges of real or depreciable property used in a trade or business and held for more than 1 year (more than 6 months if acquired prior to 1-1-88).
- Cutting of timber that the taxpayer elects to treat as a sale or exchange under section 631(a).
- Disposal of timber with a retained economic interest that is treated as a sale under section 631(b).
- Disposal of coal (including lignite) or iron ore mined in the United States with a retained economic interest that is treated as a sale under section 631(c).
- Sales or exchanges of cattle and horses, regardless of age, used in a trade or business by the taxpayer for draft, breeding, dairy, or sporting purposes and held for 24 months or more from acquisition date.
- Sales or exchanges of livestock other than cattle and horses, regardless of age, used by the taxpayer for draft, breeding, dairy, or sporting purposes and held for 12 months or more from acquisition date.

Note: *Other livestock does not include poultry.*

- Sales or exchanges of unharvested crops. See section 1231(b)(4).
- Involuntary conversions of property or capital assets used in a trade or business, or held for profit, and kept more than 1 year (more than 6 months if acquired before 1-1-88). These conversions may result from: (1) part or total destruction; (2) theft or seizure; or (3) requisition or condemnation (whether threatened or carried out). See section 1231(a)(4) if you have casualty or theft loss(es).

Section 1231 transactions do not include inventory, property held primarily for sale to customers, or copyrights; literary, musical, or artistic compositions; letters or memorandums; U.S. Government publications (including the Congressional Record); or similar property.

Line 7.—Partnerships enter the amount from line 7 of Form 4797 on Schedule K-1 (Form 1065), line 6, and also on Schedule K (Form 1065), line 6.

S corporations enter the amount from line 7 of Form 4797 on line 5 of Schedule K (Form 1120S) if it is a loss. See the instructions that follow if line 7 is a gain.

For All Others.—If line 7 is a loss, enter that amount on line 11 of Form 4797 and skip lines 8 and 9. If line 7 is a gain, it is treated as ordinary income to the extent that it does not exceed nonrecaptured net section 1231 losses from the 5 most recent tax years preceding your current tax year. If line 7 is a gain and you do **not** have net section 1231 losses from prior tax years or they have been recaptured in an earlier year, skip lines 8, 9, and 12, and enter the gain from line 7 on Schedule D as a long-term capital gain.

Line 8.—Nonrecaptured Net Section 1231 Losses.—Part or all of your section 1231 gains on line 7 may have to be treated as ordinary income instead of receiving capital gain treatment. These net section 1231 gains are treated as ordinary income to the extent of the "nonrecaptured section 1231 losses." The nonrecaptured losses are net section 1231 losses deducted during the 5 most recent preceding tax years beginning after 12-31-81 that have not yet been applied against any net section 1231 gain for the purpose of determining how much of the gain is ordinary income under these rules. For example, if you had net section 1231 losses of $4,000 and $6,000 in 1983 and 1984 and net section 1231 gains of $3,000 and $2,000 in 1987 and 1988, line 7 would show the 1988 gain of $2,000, and line 8 would show nonrecaptured net section 1231 losses of $7,000 ($10,000 net section 1231 losses less the $3,000 that was recaptured because of the 1987 gain). The $2,000 gain on line 7 is all ordinary income and would be entered on line 12 of Form 4797. For recordkeeping purposes, the $4,000 loss from 1983 is all recaptured ($3,000 in 1987 and $1,000 in 1988) and you have $5,000 left to recapture from 1984 ($6,000 less the $1,000 recaptured this year).

Figuring the Prior Year Losses.—You had a net section 1231 loss if section 1231 losses exceeded section 1231 gains. Gains are included only to the extent taken into account in computing gross income. Losses are included only to the extent taken into account in computing taxable income except that the limitation on capital losses does not apply. See sections 1231(c)(5) and 1231(a)(4). If any recognized losses were from involuntary conversions from fire, storm, shipwreck, or other casualty, or from theft and they exceed the recognized gains from the conversions, do not include them when figuring your nonrecaptured net section 1231 losses. Get Pub. 544 for more information.

Line 9.—If line 9 is zero, enter the amount from line 7 on line 12 of Form 4797. All of your section 1231 gain is treated as ordinary income. For recordkeeping purposes, this is also the amount of net section 1231 loss that you have recaptured in 1988.

If line 9 is more than zero, enter the amount from line 8 on line 12 of Form 4797 and enter line 9 as a long-term capital gain on your Schedule D. For recordkeeping purposes, you have recaptured all of your net section 1231 losses from prior years.

Part II.—Ordinary Gains and Losses

If a transaction is not reportable in Part I or Part III and the property is not a capital asset reportable on Schedule D, report the transaction in Part II.

If you receive ordinary income from a sale or other disposition of your interest in a partnership, get **Pub. 541**, Tax Information on Partnerships.

Line 10.—Report other ordinary gains and losses, including property held 1 year or less (6 months or less if acquired before 1-1-88) on this line.

Report losses from the sale of small business stock (section 1244) on this line and gains as capital gains on Schedule D.

Line 15.—Enter any ordinary gain from **Form 6252**, Installment Sale Income, lines 21 and/or 29. This line applies only to sales of section 1252, 1254, and 1255 property and sections 1245 and 1250 property if you still report ordinary gain from sales before 6-7-84.

Line 16.—Enter on line 16 any recapture of section 179 expense included on Schedule K-1 (Form 1065), line 18b, and on Schedule K-1 (Form 1120S), line 20, but only if it is due to a disposition. Only include it to the extent that you took a deduction for it in an earlier year. See instructions for Part V if you have section 179 recapture when the business use percentage of the property dropped to 50% or less.

Part III.—Gain From Dispositions of Property Under Sections 1245, 1250, 1252, 1254, and 1255

Part III is used to compute recapture of depreciation and certain other items that must be reported as ordinary income upon the disposition of property. Fill out lines 19 through 24 to determine the gain on the disposition of the property. If you have more than four transactions to report, use additional forms.

Note: *If the property was sold on the installment sales basis, see the instructions for Part IV before completing this part. Also, if you have both installment sales and noninstallment sales, you may want to use a separate Form 4797, Part III, for each installment sale and one Form 4797, Part III, for the noninstallment sales.*

Line 20.—The gross sales price includes money, the fair market value of other property received, and any existing mortgage or other debt the buyer assumes or takes the property subject to. For casualty or theft property, include insurance or other reimbursement you received or expect to receive for each item.

Line 21.—The asset basis used on this line should be determined without taking into account any reduction under sections 179 (expense deduction) and 48(q) (ITC adjustment), which are to be accounted for on line 22. If this is a disposition of a diesel-powered highway vehicle for which you claimed a credit on line 1 of **Form 4136**, Computation of Credit for Federal Tax on Gasoline and Special Fuels, reduce

the cost of the vehicle by the credit claimed for that vehicle.

Line 22.—This line should show all adjustments for deductions (whether for the same or other property) allowed or allowable to you or any other person for depreciation or amortization. If you are not a partnership or an S corporation, use the following computation to determine the amount to enter on line 22:

- **Add** preproductive expenses, depreciation or depletion allowed or allowable, amortization, ACRS, or MACRS deductions.
- **Add** the section 179 expense deducted.
- **Add** the section 48(q)(1) downward basis adjustment, if any.
- **Subtract** 50% of any investment tax credit recaptured if the basis of the property was reduced under section 48(q)(1) when placed in service. See section 48(q)(2).
- **Subtract** any section 179 or 280F recapture amount included in gross income in a prior tax year because the business use of the property dropped to 50% or less.

You may have to include depreciation allowed or allowable on another asset (and recompute the basis amount for line 21) if you use its adjusted basis in determining the adjusted basis of the property described on line 19. An example is property acquired by a trade-in. (See section 1.1245-2(a)(4) of the regulations.)

Partnerships should enter the depreciation or depletion allowed or allowable, amortization, ACRS, or MACRS deductions on line 22. Enter the section 179 expense on Schedule K-1 (Form 1065), line 18b. Partnerships should make the basis adjustment required under section 48(q). Partners adjust the basis of their interest in the partnership to take into account the basis adjustments made at the partnership level.

S corporations should enter the depreciation or depletion allowed or allowable, amortization, ACRS, or MACRS deductions on line 22. Enter the section 179 expense on Schedule K-1 (Form 1120S), line 20, but only if you are disposing of property acquired in tax years beginning after 1982. S corporations should make the basis adjustment required under section 48(q). Shareholders adjust their stock in the corporation to take into account the basis adjustments made at the S corporation level under section 48(q).

Section 1245 Property

Section 1245 property is depreciable (or amortizable under section 185) and is one of the following:

- Personal property.
- Livestock held for draft, breeding, dairy, or sporting purposes.
- Elevators and escalators placed in service before 1-1-87.
- Real property (other than property described under tangible real property below) subject to amortization or deductions under sections 169, 179, 185, 188, 190, 193, or 194.
- Tangible real property (except buildings and their structural components) if it is used in any of the following ways:

(1) As an integral part of certain business activities.

(2) As a research facility.

(3) For the bulk storage of fungible commodities (including commodities in a liquid or gaseous state) used with manufacturing, production, extraction, or furnishing transportation, communications, or certain other public utility services.

- A single purpose agricultural or horticultural structure under section 48(p).
- A storage facility (not including a building or its structural components) used in connection with the distribution of petroleum or any primary product of petroleum.

See section 1245(b) for exceptions and limits involving:

- Gifts.
- Transfers at death.
- Certain tax-free transactions.
- Certain like-kind exchanges, involuntary conversions, etc.
- Sales or exchanges to accomplish FCC policies, and exchanges to comply with SEC orders.
- Property distributed by a partnership to a partner.
- Transfers to tax-exempt organizations where the property will be used in an unrelated business.
- Timber property.

See the following sections for special rules:

- Section 1245(a)(2)(C) for certain amortizable real property.
- Section 1245(a)(4) for player contracts and section 1056(c) in regard to information required to be supplied by the transferor of a franchise of any sports enterprise if the sale or exchange involves the transfer of player contracts.
- For property placed in service before 1-1-87, section 1245(a)(5) as in effect before the Tax Reform Act of 1986, when only a portion of a building is section 1245 recovery property.
- For property placed in service before 1-1-87, section 1245(a)(6) as in effect before the Tax Reform Act of 1986, for qualified leased property.

Line-by-Line Instructions

Line 25a.—Enter the amount from line 22 for section 1245 property.

Section 1250 Property

Section 1250 recapture applies to certain recovery property and to depreciable nonrecovery real property when an accelerated depreciation method was used.

Section 1250 property is depreciable real property (other than section 1245 property). ACRS deductions under section 168 are subject to recapture under section 1245 except for the following, which are treated as section 1250 property if the property was placed in service before 1-1-87:

- 15-year, 18-year, or 19-year real property and low-income housing which is residential rental property.
- 15-year, 18-year, or 19-year real property and low-income housing which is used mostly outside the United States.
- 15-year, 18-year, or 19-year real property and low-income housing on which the alternate ACRS method of depreciation is taken under section 168(b)(3) as in effect before the Tax Reform Act of 1986.
- low-income property as described in clause (i), (ii), (iii), or (iv) of section 1250(a)(1)(B). See instructions for line 26b.

The section 1250 recapture rules do not apply to dispositions of 27.5-year (or 40-year, if elected) residential rental property or 31.5-year (or 40-year, if elected) nonresidential real property, placed in service after 12-31-86 (or after 7-31-86, if the election is made).

See section 1250(d) for exceptions and limits involving:

- Gifts.
- Transfers at death.
- Some tax-free transactions.
- Some like-kind exchanges, involuntary conversions, etc.
- Sales or exchanges to accomplish FCC policies, and exchanges to comply with SEC orders.
- Property distributed by a partnership to a partner.
- Disposition of a main home.
- Disposition of qualified low-income housing.
- Transfers of property to tax-exempt organizations where the property will be used in an unrelated business.
- Dispositions of property as a result of foreclosure proceedings.

Special Rules

- For additional depreciation attributable to rehabilitation expenditures, see section 1250(b)(4).
- If substantial improvements have been made, see section 1250(f).

Line-by-Line Instructions

Line 26a.—Enter the additional depreciation for the period after 12-31-75. For section 1250 property held more than 1 year, additional depreciation is the excess of actual depreciation over depreciation figured using the straight line method. For this purpose, do not reduce the basis under section 48(q)(1) in figuring straight line depreciation. For section 1250 property held 1 year or less, all depreciation is additional depreciation.

Line 26b.—Use 100% as the percentage for this line unless you have property described in section 1250(a)(1)(B).

Line 26c.—Subtract line 26a from line 24. If line 24 is not more than line 26a, skip lines 26d and 26e.

Line 26d.—Enter the additional depreciation after 12-31-69 and before 1-1-76. If the straight line depreciation is more than the additional depreciation after 12-31-69 and before 1-1-76, reduce line 26a by the amount the straight line depreciation exceeds additional depreciation, but not below zero.

Line 26e.—Use 100% as the percentage for this line unless you have property described in section 1250(a)(2)(B).

Line 26f.—Corporations subject to section 291.—The amount treated as ordinary income under section 291 is 20% of the excess, if any, of the amount which would be treated as ordinary income if such property was section 1245 property, over the amount treated as ordinary income under section 1250. If you used the straight line method of depreciation, the ordinary income under section 291 is 20% of the amount figured under section 1245.

Section 1252 Property

Partnerships should skip this section. Partners should enter on the applicable lines of Part III amounts subject to section 1252 according to instructions from the partnership.

You may have ordinary income on the disposition of certain farmland held more than 1 year (more than 6 months if acquired before 1-1-88), but less than 10 years.

Refer to section 1252 to determine if there is ordinary income on the disposition of certain farmland for which deductions were allowed under sections 175 (soil and water conservation) and 182 (land clearing) as in effect before 1-1-86. If you dispose of such farmland within the 10th or later year after you acquire it, skip line 27.

Gain from disposition of certain farmland may be subject to ordinary income rules under section 1252 before being considered under section 1231 (Part I).

When filling out line 27b, enter 100% of line 27a or line 27b, except as follows:

- 80% if the farmland was disposed of within the 6th year after acquisition.
- 60% if disposed of within the 7th year.
- 40% if disposed of within the 8th year.
- 20% if disposed of within the 9th year.
- Zero if disposed of within the 10th or later year.

Section 1254 Property

If you dispose of oil, gas, or geothermal property placed in service before 1-1-87 at a gain, treat all or part of the gain as ordinary income. Include on line 22 of Form 4797 any depletion allowed (or allowable) in determining the adjusted basis of the property.

If you dispose of Section 1254 property placed in service after 12-31-86 at a gain, you must recapture all expenses that have been deducted as intangible drilling costs, depletion, mine exploration costs, and development costs, under sections 263, 616, and 617.

Exception: Property acquired under a written contract entered into before 9-26-85 and binding at all times thereafter, is excluded from this change.

Note: *In the case of a corporation which is an integrated oil company, amounts amortized under section 291(b)(2) should be treated as a deduction under section 263(c) when completing line 28a.*

Caution: *Pending legislation would clarify that previously expensed mining costs, that have been included in income upon reaching the producing state, are not taxen into account in determining recapture under Section 1254. Get* ***Pub. 553,*** *Highlights of 1988 Tax Changes, to find out whether this law was passed.*

Line 28a.—If the property was placed in service before 1-1-87, enter the total amount of expenses after 12-31-75 that:

- have been deducted by the taxpayer or any other person as intangible drilling and development costs under section 263(c); and
- would have been reflected in the adjusted basis of the property if they had not been so deducted.

If the property was placed in service after 12-31-86, enter the total amount of expenses that:

- were deducted under section 263, 616, or 617 by the taxpayer or any other person; and
- which, but for such deduction would have been included in the basis of the property; plus
- the deduction under section 611 which reduced the adjusted basis of such property.

If you dispose of a portion of section 1254 property, or an undivided interest in it, see section 1254(a)(2).

Section 1255 Property

Line 20 should show the amount realized from the sale, exchange, or involuntary conversion of section 126 property. Enter the fair market value of section 126 property on line 20 for any other disposition. On line 23, enter the adjusted basis of the section 126 property disposed of.

Line 29a.—Use 100% if the property is disposed of less than 10 years after receipt of payments excluded from income. Use 100% minus 10% for each year, or part of a year, that the property was held over 10 years. Use zero if 20 years or more.

Part IV—Installment Sales

If you sold property at a gain and will receive any payment in a tax year after the year of sale, use the installment method and Form 6252. Use Form 6252 also if you received an installment payment this tax year from a sale made in an earlier year.

If you want to **elect out** of the installment method, you must do the following on a timely filed return (including extensions):

(1) Report the full sale amount on Form 4797.

(2) If you received a note or other obligation and report it at less than face value (including all contingent payment obligations), complete Part IV. If you have more than one note, enter the amounts separately in the spaces in Part IV.

Recapture Income in the Year of Sale.—Any recapture income under sections 1245 and 1250 (including the gain attributable to the expense election under section 179 and any section 291 recapture) is fully taxable as ordinary income in the year of sale even if no payments were received. Use the following instructions to figure the recapture amount:

(1) Complete Form 4797, Part III and include any deduction you took under section 179 as depreciation on lines 22 and 25a. Include the gain from the installment sale on lines 30 and 31.

(2) Do not enter any gain on line 32. If this form was used to report only the recapture from an installment sale, enter "N/A" on line 32. This amount is reported separately on Form 6252.

(3) Enter line 31 of Form 4797 on line 8 of Form 6252 and also on line 13 of Form 4797.

If you have section 1252, 1254, or 1255 recapture income, complete Part III of Form 4797 in the year of sale. Line 27c, 28b, or 29b of Form 4797 is the amount of ordinary income to be recaptured. Enter this amount on line 21 and/or 29 of Form 6252 and on line 15 of Form 4797, but do not enter more than the amount shown on line 20 and/or 28 of Form 6252.

Note: *If you do not have to recapture all of the ordinary income this year, you must report the ordinary income to the extent of the taxable part of the installment sale in future years until it is all reported. For years after the year of sale, any remaining recapture is reported directly on Form 6252.*

Get **Pub. 537**, Installment Sales, for more information.

Part V—Computation of Recapture Amounts Under Sections 179 and 280F When Business Use Drops to 50% or Less

Section 179 Property.—If you took a deduction under section 179 for property placed in service before 1-1-87 (other than listed property, as defined in section 280F(d)(4)), and the business use of the property was reduced to 50% or less during either of the two taxable years following the taxable year the property was placed in service, complete column (a) of lines 1 through 3 in Part V to figure the recapture amount.

For property placed in service after 12-31-86, the recapture must be made if the property is not used predominantly in your trade or business at any time.

Section 280F Property.—Column (b).—If you have listed property that you placed in service in a prior year and the business use dropped to 50% or less this year, figure the amount to be recaptured. Complete column (b), lines 1 through 3 of Part V. Get **Pub. 917**, Business Use of a Car, for more information on recapture on passenger automobiles.

Note: *If you have more than one property subject to the recapture rules, use separate statements to figure the recapture amounts and attach them to your tax return.*

Line 1.—Column (a).—Enter the section 179 expense deducted when the property was placed in service.

Column (b).—Enter the recovery deductions allowable on the property in prior tax years. Any deduction allowable under section 179 is treated as if that deduction was a recovery deduction under section 168.

Line 2.—Column (a).—Enter the depreciation allowable on the section 179 amount from the time it was placed in service until the current year.

Column (b).—Enter the recovery deductions allowable if the property had not been predominantly used in a qualified business. Figure the deductions from the year it was placed in service until the current year. Get **Pub. 534**, Depreciation, and Pub. 917.

Line 3.—Subtract line 2 from line 1 and enter the recapture amount in "other income" on the proper form(s) or schedule(s). Report the recapture amount in other income on the same form or schedule on which you took the deduction. For example, if you took the deduction on Schedule C (Form 1040), report the recapture amount in other income on Schedule C (Form 1040).

Note: *If you filed Schedule C or F (Form 1040) and the property was used in both your trade or business and for the production of income, the portion attributable to your trade or business is subject to self-employment tax. Allocate the amount on line 3 before entering the recapture amount on the appropriate schedule.*

Be sure to increase the basis of the property by the recapture amount. Also, get Form 4255 for recapture rules.

Form **4835**

Department of the Treasury
Internal Revenue Service

Farm Rental Income and Expenses

(Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))

(Income not subject to self-employment tax)

▶ **Attach to Form 1040.**

OMB No. 1545-0187

1988

Attachment Sequence No. **70**

Name(s) as shown on Form 1040

Your social security number

If you filed Form 943, enter employer identification number here

A Did you make an election in a prior year to include Commodity Credit Corporation loan proceeds as income in that year? ☐ Yes ☐ No

B Did you actively participate in the operation of this farm during the tax year? (See instructions.) . . . . . ☐ Yes ☐ No

C Do you elect, or did you previously elect, to currently deduct certain preproductive period expenses? (See instructions.) . . . . . ☐ Does not apply ☐ Yes ☐ No

Part I Gross Farm Rental Income—Based on Production (Include amount converted to cash or the equivalent.)

1	Income from production of livestock, produce, grains, and other crops			1	
2a	Total distributions received from cooperatives (from Form 1099-PATR)	2a			
b	Less: Nonincome items	2b			
3	Net distributions. Subtract line 2b from line 2a			3	
4a	Total agricultural program payments	4a	**4b** Taxable amount	4b	
5a	Commodity Credit Corporation (CCC) loans reported under election (see instructions)			5a	
b	CCC loans forfeited or repaid with certificates	5b	**5c** Taxable amount	5c	
6a	Crop insurance proceeds received in 1988	6a	**6b** Taxable amount	6b	
c	If election to defer to 1989 is attached, check here ▶ ☐		**6d** Amount deferred from 1987	6d	
7	Other income, including Federal and state gasoline or fuel tax credit or refund (see instructions)			7	
8	**Gross farm rents.** Add amounts in the right column for lines 1 through 7 ▶			8	

Part II Deductions—Farm Rental Property (Do not include personal or living expenses.)

9	Breeding fees		21	Machine (custom) hire	
10	Chemicals		22	Pension and profit-sharing plans (see Schedule F instructions)	
11	Conservation expenses (you must attach **Form 8645**)		23	Rent of farm, pasture	
12	Depreciation and section 179 expense deduction (from **Form 4562**)		24	Repairs, maintenance	
13	Employee benefit programs other than line 22 (see Schedule F instructions)		25	Seeds, plants purchased	
14	Feed purchased		26	Storage, warehousing	
15	Fertilizers and lime		27	Supplies purchased	
16	Freight, trucking		28	Taxes	
17	Gasoline, fuel, oil		29	Utilities	
18	Insurance		30	Veterinary fees, medicine	
19	Interest:		31	Other expenses (specify):	
a	Mortgage (paid to banks, etc.)		a		
b	Other		b		
20a	Labor hired (see Schedule F instructions)		c		
b	Jobs credit		d		
c	Net labor hired (line 20a minus 20b)		e		
			f		
			g		
			h		
			i		

32	Add amounts on lines 9 through 31i	32	
33	Preproductive period expenses that are capitalized (see instructions)	33	
34	Subtract line 33 from line 32. These are your **total deductions** ▶	34	
35	**Net farm rental profit or (loss).** Subtract line 34 from line 8. If a profit, enter here and on Schedule E (Form 1040), Part I, line 28. If a loss, you MUST go on to line 36	35	
36	If line 35 is a loss, you MUST check the box that describes your investment in this activity (**see Schedule F instructions**)	36a ☐ All investment is at risk 36b ☐ Some investment is not at risk	
	You MUST complete **Form 8582** to determine your deductible loss, regardless of which box you check. However, if you checked 36b, you MUST complete **Form 6198** before going to Form 8582. In either case, enter the allowable loss from Form 8582 here and on Schedule E, Part I, line 28	36c	

For Paperwork Reduction Act Notice, see back of Form 4835.

Form **4835** (1988)

General Instructions

Paperwork Reduction Act Notice.— We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	3 hrs., 17 min.
Learning about the law or the form	5 min.
Preparing the form	1 hr., 9 min.
Copying, assembling, and sending the form to IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either **IRS** or the **Office of Management and Budget** at the addresses listed in the Instructions for Form 1040.

Note: *Tenants must not use this form to report farm income and expenses. (Individuals use* ***Schedule F*** *(Form 1040).)*

Purpose

Use Form 4835 to report farm rental income based on crops or livestock produced by the tenant if you were the landowner (or sub-lessor), and you did not materially participate (for self-employment tax purposes) in the operation or management of the farm.

Use this form only if the activity is a rental activity for purposes of the passive activity loss limitations. See the instructions for **Form 8582,** Passive Activity Loss Limitation, for a definition of "rental activity."

Under both the cash and the accrual methods of reporting, you must report livestock or crop share rentals received in the year in which you convert them into money or its equivalent.

Landowners (or sub-lessors) must not use this form to report cash rent received for pasture, or farmland, if the amount is based on a flat charge. Report this income directly on **Schedule E** (Form 1040).

Additional Information

For more information, see the instructions for Schedule F and **Pub. 225,** Farmer's Tax Guide. Pub. 225 also contains information about some of the payments under the Disaster Assistance Act of 1988.

Line-by-Line Instructions

Line A.—If you made an election to include Commodity Credit Corporation (CCC) loan proceeds as income in the year you received the proceeds, rather than reporting as income the proceeds from the sale of the commodities in the year sold or in the year of forfeiture, and you reported these loan proceeds as income in a prior year, check the "Yes" box on line A. For information on how to make this election, see Schedule F instructions for lines 8a–8c.

Line B.—Generally, you can deduct losses from passive activities only to the extent of income from passive activities. However, there are exceptions for certain activities, such as rental real estate activities. Renting farm property for rent based on farm production or crop shares may be a trade or business activity or a rental activity, depending on the circumstances. See the instructions for Form 8582.

If renting the farm is treated as a rental activity under the passive activity loss rules, any loss generally is limited to your income from passive activities. However, if you "actively participated" in the operation of this activity and you show a loss on line 36c, you may be able to deduct up to $25,000 of losses from all rental real estate activities. Other amounts apply if you are married filing separately.

Generally, you are considered to actively participate if you participated in making management decisions or arranging for others to provide services (such as repairs), in a significant and bona fide sense. Management decisions that are relevant in this context include approving new tenants, deciding on rental terms, approving capital or repair expenditures, and other similar decisions. You do not, however, actively participate if at any time during the year your interest (including any interest of your spouse) is less than 10% (by value) of all interests in the activity.

Line C.—Capitalization rules apply if you produce real or tangible personal property or acquire property for resale. However, these rules generally do not apply to any plant or animal produced in your farming business that has a preproductive period of 2 years or less. If the preproductive period of the plant or animal you produced is more than 2 years, you may be able to elect to currently deduct these expenses. For more information on these rules, including the election, see Schedule F instructions for line G.

PART I.—Gross Farm Rental Income—Based on Production

Line 1.—Report income you received from livestock, produce, grains, and other crops based on production. Include amounts converted to cash or the equivalent.

Line 2a.—Enter your total distributions from cooperatives as shown on Form 1099-PATR. See Schedule F instructions.

Lines 4a and 4b.—Enter on line 4a the TOTAL payments you received. On line 4b report only the taxable amount. See Schedule F instructions for lines 7a and 7b.

Lines 5a through 5c.—Report the full amount of CCC loans forfeited or repaid with certificates on line 5b, even if you reported the loan proceeds as income. For details on how to complete lines 5a–5c, see Schedule F instructions for lines 8a–8c.

Lines 6a through 6d.—In general, you must report crop insurance proceeds in the year you receive them. However, if you use the cash method of accounting and 1988 was the year of damage, you may elect to include these proceeds (and certain disaster payments) in income next year. To make this election, check the box on line 6c and attach a statement to your return. See Pub. 225 for what you must include in your statement.

For details on how to complete lines 6a–6d, see Schedule F instructions for lines 9a–9d.

Line 7.—Use this line to report income other than that shown on lines 1 through 6d. See Schedule F instructions.

PART II.—Deductions—Farm Rental Property

Note: *Certain costs must be capitalized if you produced real or tangible personal property, or acquired property held for resale. Special rules apply to the capitalization of interest and certain other costs. See Schedule F instructions.*

Do not reduce your deductions on lines 9–31i by the preproductive period expenses you are required to capitalize. Instead, enter the total amount capitalized on line 33.

Line 11.—Expenses you paid or incurred for soil and water conservation may only be deducted if they are consistent with a plan approved by the Soil Conservation Service of the Department of Agriculture for the area in which your land is located. If no plan exists, your expenses must be consistent with a soil conservation plan of a comparable state agency.

You must attach **Form 8645,** Soil and Water Conservation Plan Certification, to your return if you claim this deduction.

Line 12.—Use **Form 4562,** Depreciation and Amortization, to figure your depreciation deduction. If you are choosing to expense certain recovery property (section 179), also use Form 4562 to figure this deduction. For more information on depreciation and the election to expense certain recovery property, see Schedule F instructions.

Lines 19a and 19b. Interest allocation rules.—The tax treatment of interest expense differs depending on its type (for example, personal interest, home mortgage interest, and investment interest). You must allocate (classify) your interest expense so that it is deducted on the proper place of your tax return and gets the right tax treatment. These rules could affect how much interest you deduct on Form 4835. See Schedule F instructions.

Lines 31a through 31i.—Enter expenses not listed on another line. See Schedule F instructions.

Line 33.—Enter on line 33 preproductive period expenses that are capitalized. See Schedule F instructions for line 37.

Line 36.—If you have a loss, you MUST complete and attach **Form 8582** to determine your deductible loss. However, if you checked box 36b, you MUST complete **Form 6198,** Computation of Deductible Loss From an Activity Described in Section 465(c), before you complete Form 8582. See Schedule F instructions for information on the at-risk rules. Also, see instructions for Form 8582.

Form **4868**
Department of the Treasury
Internal Revenue Service (L)

Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

OMB No. 1545-0188

1988

Please Type or Print

Your first name and initial (if joint return, also give spouse's name and initial) | Last name | **Your social security number**

Present home address (number, street, and apt. no. or rural route) (If you have a P.O. box, see the instructions.) | **Spouse's social security no.**

City, town or post office, state, and ZIP code

If you or your spouse expect to file a gift tax return (Form 709 or 709-A) for 1988, generally due by April 17, 1989, see the instructions and check here . . . . . Yourself ▶ ☐ Spouse ▶ ☐

Note: *File this form with the Internal Revenue Service Center where you are required to file your income tax return, and pay any amount(s) you owe.* ***This is not an extension of time for payment of tax.***

I request an automatic 4-month extension of time to August 15, 1989, to file Form 1040A or Form 1040 for the calendar year 1988 (or if a fiscal year Form 1040 to _____, 19____, for the tax year ending _____, 19____).

1	Total tax liability for 1988. You **MUST** enter an amount on line 1. (You may estimate this amount.) **If you do not expect to owe tax, enter zero (–0–)**		1
2	Federal income tax withheld	2	
3	1988 estimated tax payments (include 1987 overpayment allowed as a credit)	3	
4	Other payments and credits you expect to show on Form 1040A or Form 1040	4	
5	Add lines 2, 3, and 4		5
6	**BALANCE DUE** (subtract line 5 from line 1). ***In order to obtain this extension, you MUST pay in full the balance due with this form.*** (If line 5 is more than line 1, enter zero (–0–)) ▶		6

Note: *Complete line 7a and/or 7b if you expect to owe gift or generation-skipping transfer (GST) tax. Do* ***not*** *include income tax on these lines (See the instructions.)*

7	Enter the amount of gift or generation-skipping transfer (GST) tax that:		
a	You are paying with this form ▶	7a	
b	Your spouse is paying with this form ▶	7b	

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and, if prepared by someone other than the taxpayer, that I am authorized to prepare this form.

Signature of taxpayer ▶ _____ Date ▶ _____

Signature of spouse ▶ _____ Date ▶ _____
(If filing jointly, BOTH must sign even if only one had income)

Signature of preparer other than taxpayer ▶ _____ Date ▶ _____

General Instructions

Paperwork Reduction Act Notice — We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 26 minutes; **Learning about the law or the form**, 11 minutes; **Preparing the form**, 18 minutes; and **Copying, assembling, and sending the form to IRS**, 20 minutes.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget**, Paperwork Reduction Project, Washington, DC 20503.

Purpose

Use Form 4868 to ask for 4 more months to file **Form 1040A** or **Form 1040**. You do not have to give a reason why you are asking for the extension.

To get the extra time you **MUST**:

1. Fill in Form 4868 correctly, **AND**
2. File it by the due date of your return, **AND**
3. Pay ALL of the tax shown on line 6.

We will contact you only if your request is denied.

If you already had 2 extra months to file because you were "out of the country" (see page 2) when your return was due, then you can only get 2 more months using this form.

Do **not** file Form 4868 if you want IRS to figure your tax, or are under a court order to file your return by the regular due date.

Note: *An extension to file your 1988* ***calendar*** *year income tax return also extends time to file a gift tax return (****Form 709*** *or* ***709-A****) for 1988.*

If these 4 months do not give you enough time to file your return, you can later ask for more time. But you'll have to give a good reason, and it must be approved by IRS. To ask for the extra time, you must:

1. File **Form 2688**, Application for Additional Extension of Time To File U.S. Individual Income Tax Return, OR
2. Explain your reason in a letter. Mail it to the address under **Where To File.**

File Form 4868 ***before*** you file Form 2688 or write a letter asking for more time. Only in cases of undue hardship will we approve your request for more time without first receiving Form 4868. If you need this extra time, ask for it early so that you can still file your return on time if your request is not approved.

When To File Form 4868

File Form 4868 by April 17, 1989. If you are filing a fiscal year Form 1040, file Form 4868 by the regular due date of your return. If you had 2 extra months to file your return because you were out of the country, file this form by the end of those 2 months (June 15, 1989, for a 1988 calendar year return).

Where To File

Mail this form to the **Internal Revenue Service Center** for the place where you live.

If you are located in: ▼	Use this address: ▼
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Florida, Georgia, South Carolina	Atlanta, GA 39901
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Taxes Agana, GU 96910
Puerto Rico (or if excluding income under section 933), Virgin Islands: Nonpermanent residents	Philadelphia, PA 19255
Virgin Islands: Permanent residents	V.I. Bureau of Internal Revenue Lockharts Garden No. 1 A Charlotte Amalie St. Thomas, VI 00802
Foreign country: U.S. citizens and those filing Form 2555 or Form 4563, even if you have an A.P.O. or F.P.O. address	Philadelphia, PA 19255
A.P.O. or F.P.O. address of:	Miami—Atlanta, GA 39901 New York—Holtsville, NY 00501 San Francisco—Fresno, CA 93888 Seattle—Ogden, UT 84201

Filing Your Tax Return

You may file Form 1040A or Form 1040 any time before the 4 months are up. But remember, Form 4868 does not extend the time to pay these taxes. If you do not pay the amount due by the regular due date, you will owe interest. You may also be charged penalties.

Interest.—You will owe interest on tax not paid by the regular due date of your return. The interest runs until you pay the tax. Even if you had a good reason not to pay on time, you will still owe interest.

Late payment penalty.—Generally, the penalty is ½ of 1% of any tax (other than estimated tax) not paid by the regular due date. It is charged for each month, or part of a month, that the tax is unpaid. You might not owe this penalty if you have a good reason for not paying on time. Attach a statement to your return explaining the reason.

Late filing penalty.—A penalty is usually charged if your return is filed after the due date (including extensions). It is 5% of the tax not paid by the regular due date for each month, or part of a month, that your return is late. The most you have to pay is 25%. If your return is more than 60 days late, the penalty will not be less than $100 or the balance of tax due on your return, whichever is smaller. You might not owe the penalties if you have a good reason for filing late. Attach a full explanation to your return if you file late.

How to claim credit for payment made with this form.—When you file your return, show the amount of any income tax payment (line 6) sent with Form 4868. Form 1040A filers should enter it on line 24 and write "Form 4868" in the space to the left. Form 1040 filers should enter it on line 57.

If you and your spouse each filed a separate Form 4868, but later file a joint return for 1988, then enter the total paid with the two Forms 4868 on the correct line of your joint return.

If you and your spouse jointly filed Form 4868, but later file separate returns for 1988, you may enter the total amount paid with Form 4868 on either of your separate returns. Or, you and your spouse may divide the payment in any agreed amounts. Be sure each separate return has the social security numbers of both spouses.

Specific Instructions

Name, address, and social security numbers.—Write your name, address, social security number, and spouse's social security number if filing a joint return. If your post office does not bring mail to your street address and you have a P.O. box, write your P.O. box number instead of your street address.

Gift tax return filers.—If you or your spouse expect to file a gift tax return for 1988, check whichever box applies. However, if your spouse is filing a separate Form 4868, do not check the box for your spouse.

Fiscal year filers.—Below the check boxes, write the date that your 4-month extension will end and the date your tax year ends.

Out of the country.—If you already had 2 extra months to file because you were a U.S. citizen or resident who was out of the country on the due date of your return, write **"Taxpayer Abroad"** across the top of this form.

For this purpose, "out of the country" means you meet one of the following conditions: (1) You live outside the U.S. and Puerto Rico, AND your main place of business is outside the U.S. and Puerto Rico, or (2) You are in military or naval service outside the U.S. and Puerto Rico.

Line 1.—Enter the total amount of income tax you expect to owe for 1988. This is the amount you expect to enter on line 20 of Form 1040A, or on line 53 of Form 1040. Be as exact as you can. If you underestimate, you may be charged interest and penalties.

Line 6.—We will not give you more time to file unless:

- There is an entry on line 6, AND
- You send full payment for any amount on line 6 with this form.

Lines 7a and 7b.—If you or your spouse are also using the extra 4 months to file a 1988 gift tax return, be sure you checked the box(es) at the top of the form. Enter the amount you (or your spouse) expect to owe on line(s) 7a and/or 7b. If your spouse is filing a separate Form 4868, enter on your form only the total gift tax and GST tax you expect to owe. Pay the tax in full with this form to avoid interest and penalties. If paying gift and GST taxes on time would cause you undue hardship (not just inconvenience), attach an explanation to this form.

Your signature.—This form must be signed. If you plan to file a joint return, then both of you should sign. But if there is a good reason why one of you cannot, then the other spouse may sign for both. Attach an explanation why the other spouse cannot sign.

Others who can sign for you.—Anyone with a power of attorney can sign. But, the following can sign for you without a power of attorney:

- Attorneys, CPAs, and other persons qualified to practice before the IRS, or
- A person in close personal or business relationship to you who is signing because you cannot. There must be a good reason why you cannot sign. Attach an explanation to the form.

Form **4970**

Department of the Treasury
Internal Revenue Service

Tax on Accumulation Distribution of Trusts

▶ **Attach to beneficiary's tax return.**
▶ **See instructions on back.**

OMB No. 1545-0192

1988

Attachment Sequence No. **73**

Name(s) as shown on return | Social security number

Name and address of trust | Employer identifying number

Type of trust: ☐ Domestic ☐ Foreign | Beneficiary's date of birth | Enter number of accumulation distributions received this year ▶

Part I Average Income and Determination of Computation Years

1	Part of current distribution that is considered distributed in earlier tax years. (From Schedule J (Form 1041), line 37, column (a))	1	
2	Distributions of income accumulated before you were born or reached age 21	2	
3	Subtract line 2 from line 1	3	
4	Taxes imposed on the trust on amounts from line 3. (From Schedule J (Form 1041), line 37, column (b))	4	
5	Total (add lines 3 and 4)	5	
6	Tax-exempt interest included on line 5. (From Schedule J (Form 1041), line 37, column (c))	6	
7	Taxable part of line 5 (subtract line 6 from line 5)	7	
8	Number of trust's earlier tax years in which amounts on line 7 are considered distributed	8	
9	Average amount considered distributed (divide line 3 by line 8)	9	
10	Enter 25% of line 9	10	
11	Number of years on line 8 in which amount considered distributed is not less than the amount on line 10	11	
12	Average amount for recomputing tax (divide line 7 by line 11). Enter here and in each column on line 15	12	

13	Enter your taxable income before this distribution for the 5 immediately preceding tax years	1987	1986	1985	1984	1983

Part II Computation of Tax Attributable to the Accumulation Distribution

		(a) 19	(b) 19	(c) 19
14	Enter the amounts from line 13, eliminating the highest and lowest taxable income years			
15	Enter amount from line 12 in each column			
16	Recomputed taxable income (add lines 14 and 15)			
17	Income tax on amounts on line 16			
18	Income tax before credits on line 14 income			
19	Additional tax before credits (subtract line 18 from line 17)			
20	Tax credit adjustment			
21	Subtract line 20 from line 19			
22	Minimum and alternative minimum tax adjustments			
23	Combine lines 21 and 22			

24	Add columns (a), (b), and (c), line 23	
25	Divide the amount on line 24 by three	
26	Multiply the amount on line 25 by the number of years on line 11	
27	Enter the amount from line 4	
28	Partial tax (subtract line 27 from line 26.) (If line 27 is more than line 26, enter zero.)	
29	Interest charge on accumulation distribution from foreign trusts	
30	Add lines 28 and 29	

For Paperwork Reduction Act Notice, see back of form. Form **4970** (1988)

General Instructions

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.— We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	40 minutes
Learning about the law or the form	16 minutes
Preparing the form	50 minutes
Copying, assembling, and sending the form to the IRS	20 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose of Form.—Use this form to figure the partial tax under section 667 on an accumulation distribution made by a trust in the current tax year. See section 665(b) and related regulations for the definition of an accumulation distribution. If the distribution is from a foreign trust, see sections 667(d) and 904(f)(4).

Under the throwback rules, accumulation distributions are treated as if they had been distributed to you in the years when the income was accumulated by the trust. See sections 665 and 666 for more information on the throwback rules for domestic and foreign trusts.

These throwback rules apply even if you would not have been entitled to receive a distribution in the earlier tax year if the distribution had actually been made then.

Figure the partial tax to determine the tax attributable to the distribution by averaging the distribution over the number of years in which the trust earned income.

If you received accumulation distributions from more than one trust during the current tax year, prepare a separate Form 4970 for each accumulation distribution you received. You can arrange the distributions in any order you want them considered to have been made.

Line-by-Line Instructions

Line 1.—Enter the amount distributed in the current year that represents the undistributed net income of a domestic or foreign trust considered to have been distributed in earlier tax years.

Line 2.—Enter the part of the amounts in line 1 that represents undistributed net income of a domestic trust considered to have been distributed before you were born or reached age 21. However, if the multiple trust rule applies, see the instructions for line 4.

Line 4.—Except as noted under **Special Rule for Multiple Trusts**, enter on line 4 the Federal income taxes (not including any minimum or alternative minimum tax) charged for any earlier tax year on the trust that are attributable (under sections 666(b) and (c)) to the net income reported on line 3. If the trust is a foreign trust, see section 665(d).

Special Rule for Multiple Trusts.—If you received accumulation distributions from two or more other trusts that were considered to have been made in any of the earlier tax years from which the current accumulation distribution is considered to have been made, do not include on line 4 the taxes attributable to the current accumulation distribution considered to have been distributed in the same earlier tax year(s).

For this special rule only count as trusts those trusts for which the sum of this accumulation distribution and any earlier accumulation distributions from the trust, which are considered under section 666(a) to have been distributed in the same earlier tax year, is $1,000 or more.

Line 8.—Enter the number of the trust's earlier tax years in which the accumulation distribution is considered to have been made. You must know the specific earlier tax years of the trust in which the amounts are considered to have been made to complete line 11.

Line 13.—Enter your taxable incomes for years 1983–1987, even if less than five years of the trust had accumulated income after the beneficiary became 21. Use the taxable income as reported, amended by you, or as changed by IRS. Include in the taxable income amounts considered distributed as a result of prior accumulation distributions whether from the same or another trust, and whether made in an earlier year or the current year.

If you are not an individual, and your taxable income as adjusted is less than zero, enter zero.

If you are an individual, and your taxable income as adjusted for 1983–1986 is less than your zero bracket amount, enter your zero bracket amount. For 1987 enter the amount of your taxable income, but not less than zero.

Line 17.—Figure the income tax (not including any minimum tax or alternative minimum tax) on the income on line 16 using the tax rates in effect for your particular earlier tax year shown in each of the three columns. You may use the Alternative Tax, Tax Rate Schedules, etc., as applicable. You can get the Tax Rate Schedules and earlier year forms from many IRS offices. If you are a nonresident alien or a foreign corporation, see section 667(c) and (e).

Line 18.—Enter your income tax (not including any minimum tax or alternative minimum tax) as originally reported, corrected, or amended, before reduction for any credits for your particular earlier year shown in each of the three columns.

Line 20.—Nonrefundable credits that are limited to tax liability, such as investment credit, may be changed because of an accumulation distribution. If the total allowable credits for any of the three computation years increases, enter the increase on line 20. However, do not treat as an increase the part of the credit that was allowable as a carryback or carryforward credit in the current or any preceding year other than the computation year.

To refigure these credits, you must consider changes to the tax before credits for each of the three computation years due to previous accumulation distributions.

Attach the proper form for any credit you refigure. The amount determined for items on this line is limited to tax law provisions in effect for those years involved.

Line 22.—Use and attach a separate **Form 4626, Form 6251, or Form 8656** to recompute the minimum and alternative minimum tax for each earlier year and show any change in those taxes in the bottom margin of the forms. Enter the adjustments on this line.

Line 28.—For estate taxes and generation-skipping transfer taxes, reduce the partial tax by the estate tax or generation-skipping transfer tax attributable to the accumulated income. See section 667(b)(6) for the computation.

Line 29.—For an accumulation distribution from a foreign trust, an interest charge must be added to the partial tax. This interest charge is not deductible under any section and is figured as follows:

(1) Figure 6% of line 28.

(2) Total the number of years from the year(s) of allocation to the year of distribution (including the year of allocation, but not the year of distribution).

(3) Divide the number in step (2) by the total years of allocation (line 8).

(4) Multiply the answer in step (1) by the decimal in step (3).

(5) Subtract line 28 from line 1. This is the maximum interest.

(6) Enter on line 29 the amount from step (4) or step (5), whichever is less.

If this form is not being used for distributions from a foreign trust, enter zero on line 29.

Line 30—***Individuals.***—Enter the amount from this line on line 39, Form 1040.

Estates and Trusts.—Include the amount on line 1b, Schedule G, Form 1041.

Other filers.—Add the result to the total tax liability before credits on your income tax return for the year of the accumulation distribution. Attach this form to that return.

Form **6198**

Department of the Treasury
Internal Revenue Service

Computation of Deductible Loss From an Activity Described in Section 465(c)

► Attach to your tax return. ► See separate instructions.

OMB No. 1545-0712

1988

Attachment Sequence No. **31**

Name(s) as shown on return

Social Security Number or Employer Identification Number

Description of Activity

Part I **Current Year Profit (Loss) From the Activity, Including Prior Year Nondeductible Amounts.** See instructions. (Enter losses in parentheses.)

1	Profit (loss) from the activity. See instructions	1	
2	Gain (loss) from the sale or other disposition of assets used in the activity (or your interests in the activity) that you will be reporting initially on:		
a	Schedule D	2a	
b	Form 4797	2b	
c	Other form or schedule	2c	
3	Other income, gains, or (losses) from the activity from Schedule K-1 of Form 1065 or Form 1120S, whichever applies, that were not included above in lines 1, 2a, 2b, and 2c	3	
4	Other deductions from the activity, including investment interest expense, that were not used in figuring amounts on lines 1, 2a, 2b, 2c, and 3	4	( )
5	Current year profit (loss) from the activity. Combine lines 1, 2a, 2b, 2c, 3, and 4. See instructions before completing the rest of this form	5	

Part II **Simplified Computation of Amount At Risk (See instructions for who may use this part.)**

6	Adjusted basis (as defined in section 1011) in the activity (or adjusted basis of interest in the activity) on the first day of the tax year. Do not enter less than zero	6	
7	Increases for the tax year	7	
8	Add lines 6 and 7	8	
9	Decreases for the tax year	9	
10	Amount at risk. Subtract line 9 from line 8 and enter result here ► _____ Also enter the result in the entry space for line 10. However, if the result is less than zero, enter zero in the entry space for line 10 and see **Publication 925** for information on the recapture rules. **Note:** *You may want to use Part III to see which computation (Part II or III) gives you the larger amount at risk. Enter the larger amount (but not less than zero) on line 20, Part IV.*	10	

Note: *If the loss is from a passive activity, get* ***Form 8582****, Passive Activity Loss Limitations, or* ***Form 8810****, Corporate Passive Activity Loss and Credit Limitations, to see if the loss is allowed under the passive activity rules.*

Part III **Detailed Computation of Amount At Risk** **(If you completed Part III of Form 6198 for 1987, see instructions for Part III before completing this part for 1988.)**

11	Investment in the activity (or investment in interest in the activity) at effective date. Do not enter less than zero	11	
12	Increases at effective date	12	
13	Add lines 11 and 12	13	
14	Decreases at effective date	14	
15	Amount at risk (check box that applies):		
a	☐ At effective date. Subtract line 14 from line 13. Do not enter less than zero	15	
b	☐ From 1987 Form 6198, line 19. (Do not enter the amount from line 10 of the 1987 form.)		
16	Increases since (check box that applies):		
a	☐ Effective date	16	
b	☐ The end of your 1987 tax year		
17	Add lines 15 and 16	17	
18	Decreases since (check box that applies):		
a	☐ Effective date	18	
b	☐ The end of your 1987 tax year		
19	Amount at risk. Subtract line 18 from line 17 and enter result here ► _____ Also enter the result in the entry space for line 19. However, if the result is less than zero, enter zero in the entry space for line 19 and see **Publication 925** for information on the recapture rules. Also enter on line 20 if you are not using the amount from Part II.	19	

Part IV **Deductible Loss**

20	Amount at risk from line 10 or 19, whichever is larger. Do not enter less than zero	20	
	Note: *If line 20 is zero, enter zero on line 21. You do not have a deductible loss this year.*		
21	Deductible loss. Enter the smaller of the loss on line 5 or the amount on line 20. See the instructions for where to report any deductible loss and any carryover	21	( )

Note: If this loss is from a passive activity, get ***Form 8582****, Passive Activity Loss Limitations, or* ***Form 8810****, Corporate Passive Activity Loss and Credit Limitations, to see if the loss is allowed under the passive activity rules. If part of the loss is subject to the passive activity loss rules and part of it is not, allocate the loss and take the ratable portion attributable to the passive activity loss rules to Form 8582 or Form 8810, whichever applies.*

Form **7004**
(Rev. September 1987)
Department of the Treasury
Internal Revenue Service

Application for Automatic Extension of Time To File Corporation Income Tax Return

OMB No. 1545-0233
Expires 8-31-90

Name of corporation | Employer identification number

Number and street

City or town, state, and ZIP code

Check type of return to be filed:

☐ Form 1120	☐ Form 1120F	☐ Form 1120L	☐ Form 1120-POL	☐ Form 1120S
☐ Form 1120-A	☐ Form 1120-FSC	☐ Form 1120-ND	☐ Form 1120-REIT	☐ Form 990-C
☐ Form 1120-DF	☐ Form 1120-H	☐ Form 1120-PC	☐ Form 1120-RIC	☐ Form 990-T

Form 1120F filers: Check here ▶ ☐ if you do not have an office or place of business in the U.S.

1a I request an automatic 6-month extension of time until ....., 19 ....., to file the income tax return of the corporation named above for ▶ ☐ calendar year 19 ..... or ▶ ☐ tax year beginning ..... 19 ....., and ending ..... 19 .....

b If this tax year is for less than 12 months, check reason:
☐ Initial return ☐ Final return ☐ Change in accounting period ☐ Consolidated return to be filed

2 Does this application also cover subsidiaries to be included in a consolidated return? . . . . . ☐ Yes ☐ No
If "Yes," complete the following:

Name and address of each member of the affiliated group	Employer identification number	Tax period

3 Tentative tax (see instructions) . . . . . .

4 **Credits:** **a** Overpayment from prior year allowed as a credit . . . . . .
b Estimated tax payments (deposits) for the tax year . . . . . .
c Less refund of estimated tax for the tax year applied for on Form 4466 ( )
d Credit from regulated investment companies and credit for overpaid windfall profit tax . .
e Credit for Federal tax on gasoline and special fuels . . . . . .

5 Total—Add lines 4a through 4e . . . . . .

6 **Balance due**—Subtract line 5 from line 3. Deposit this amount with a Federal Tax Deposit (FTD) Coupon (see instructions) . . . . . .

Signature.—Under penalties of perjury, I declare that I have been authorized by the above named corporation to make this application, and to the best of my knowledge and belief, the statements made are true, correct, and complete.

..... (Signature of officer or agent) ..... (Title) ..... (Date)

Form **7004** (Rev. 9-87)

General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Form 7004 should be used by a corporation to request an automatic 6-month extension of time to file its income tax return.

The extension will be allowed if Form 7004 is filed properly by the due date and if the balance due on line 6 is deposited with a **Form 8109**, Federal Tax Deposit Coupon.

Foreign corporations without an office or place of business in the U.S. may pay the tax by check or money order, made payable to the Internal Revenue Service. Foreign corporations with an office or place of business in the United States and domestic corporations must deposit all income tax payments with an FTD coupon.

Note: *On all payments, write the corporation's employer identification number, the type of tax, and the tax year to which the payment applies.*

Form 7004 does not extend the time for payment of tax.

When and Where To File.—File Form 7004 by the due date of the return with the Internal Revenue Service Center where the corporation will file the return. Foreign corporations with an office or place of business in the U.S. and other corporations qualifying for an automatic 3-month extension under Regulations section 1.6081-2(a) should not file Form 7004 unless they are unable to file their returns within the 3-month extended period. In these situations, Form 7004 should be filed by the 15th day of the 3rd month following the close of the tax year to obtain a 6-month extension.

Penalty for Not Paying Tax.—Section 6651 provides a penalty for not paying tax (other than estimated income tax) when due.

The late payment penalty is ½% a month or part of a month unless you have reasonable cause for not paying on time. If you believe you have reasonable cause, attach an explanation to your return.

Beginning January 1, 1987, the late payment penalty is 1% per month if a taxpayer fails to respond to an IRS notice of levy or demand for payment of tax due. See section 6651 for more information.

If you are allowed an extension of time to file, you will not be charged a late payment penalty if: the tax shown on line 3 (or the amount of tax paid by the regular due date of the return) is at least 90% of the tax shown on line 31 of Form 1120, or the comparable line on other returns, and you pay the balance due shown on the return by the extended due date.

Termination of Extension.—The IRS may terminate the automatic extension at any time by mailing a notice of termination to the corporation or to the person who requested the extension. The notice will be mailed at least 10 days before the termination date given in the notice.

Specific Instructions

Line 1b—Short tax year.—If you checked the box for change in accounting period, you must have applied for approval to change your tax year unless certain conditions have been met. See **Form 1128,** Application for Change in Accounting Period, and its separate instructions, and **Publication 538,** Accounting Periods and Methods, for details.

Line 2—Affiliated group members.—Enter the name and address, employer identification number, and tax period for each member of the affiliated group. Generally, all members of an affiliated group must have the same tax period. See Regulations section 1.1502-76 for details.

Line 3—Tentative tax.—Enter the tentative amount of income tax for the year, reduced by any nonrefundable credits against the tax. This will usually be the tax shown on Form 1120, line 31, or the comparable line from other returns.

Line 6—Balance due.—This is the amount of tax you are required to deposit.

However, if the corporation expects to have a net operating loss carryback, the corporation may reduce the amount to be deposited to the extent of the overpayment resulting from the carryback, providing all other prior year tax liabilities have been fully paid and a **Form 1138**, Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, accompanies Form 7004. See Rev. Rul. 82-47, 1982-1 C.B. 201 for details.

Interest will be charged on any part of the final tax due not shown on line 6. The interest is figured from the original due date of the return to the date of payment.

Signature.—The person authorized by the corporation to sign the return should sign the Form 7004. This person may be:

(1) An officer of the corporation.

(2) A duly authorized agent holding a power of attorney.

(3) A person currently enrolled to practice before the Internal Revenue Service.

(4) An attorney or certified public accountant qualified to practice before the IRS.

Form **8027**

Department of the Treasury
Internal Revenue Service

Employer's Annual Information Return of Tip Income and Allocated Tips

▶ **For Paperwork Reduction Act Notice, see the separate instructions.**

OMB No. 1545-0714

1988

Use IRS label. Make any necessary changes. Otherwise, please type or print.

Name of establishment

Address (number and street)

Employer identification number

City, state, and ZIP code

Kind of establishment (check only one box)

- ☐ 1 evening meals only
- ☐ 2 evening and other meals
- ☐ 3 meals other than evening meals
- ☐ 4 alcoholic beverages

Employer's name

Address (number and street)

City, state, and ZIP code

Establishment number (See instructions)

1	Total charged tips for 1988	1	
2	Total charged receipts (other than nonallocable receipts) on which there were charged tips	2	
3	Total amount of service charges of less than 10% paid as wages to employees	3	
4a	Total tips reported by indirectly tipped employees	4a	
b	Total tips reported by directly tipped employees	4b	
c	Total tips reported. (Add lines 4a and 4b.)	4c	
5	Gross receipts from food or beverage operations (other than nonallocable receipts)	5	
6	Multiply line 5 by 8% (.08) or the lower rate shown here ▶ _____ granted by the district director **Note:** *If you have allocated tips using other than the calendar year (semimonthly, biweekly, quarterly, etc.), put an X on line 6 and enter the amount of allocated tips from your records on line 7. If you have been granted a rate lower than 8%, attach a copy of the district director's determination letter to this return.*	6	
7	Allocation of tips. If line 6 is more than line 4c, enter the difference here This amount must be allocated as tips to tipped employees working in this establishment. Check the box below that shows the method used for the allocation. (Show the portion, if any, attributable to each employee in box 6 of the employee's Form W-2.)	7	
a	Allocation based on hours worked (see instructions for restriction) ☐		
b	Allocation based on gross receipts ☐		
c	Allocation based on good faith agreement (attach copy of agreement) ☐		
8	Total number of directly tipped employees at this establishment during 1988	8	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **8027** (1988)

1988

Department of the Treasury
Internal Revenue Service

Instructions for Form 8027

Employer's Annual Information Return of Tip Income and Allocated Tips

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

Forms	8027	8027-T
Recordkeeping	5 hrs., 16 min.	43 min.
Learning about the law or the form	35 min.	22 min.
Preparing and sending the form to IRS	43 min.	1 hr., 36 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, TR:FP; or the **Office of Management and Budget**, Paperwork Reduction Project, Washington, DC 20503.

Reporting on Magnetic Media.— Employers who file 250 or more Forms 8027 must file the returns on magnetic media. For details, see regulations section 301.6011-2. Revenue Procedure 86-31, 1986-1 C.B. 681 has information on how to request a waiver from magnetic media reporting because of undue hardship.

Purpose of Form.—Form 8027 is used by large food or beverage establishments when required to make to the Internal Revenue Service annual reports on receipts from food or beverage operations and tips reported by employees.

Who Must File.—Every employer must file a separate Form 8027 each year for each large food or beverage establishment. A large food or beverage establishment is an establishment where tipping is customary and that normally employed more than 10 employees (counting all the employer's employees at all locations) on a typical business day during the preceding calendar year. An individual who owns 50% or more in value of the stock of a corporation operating the establishment is not considered an employee in determining whether the establishment normally employed more than 10 employees.

An employer must file Form 8027 for a new large food or beverage establishment if during any 2 consecutive calendar months the average number of hours worked each business day by all employees at the new business is more than 80 hours. To figure the average number of employee hours worked each business day during a month, divide the total hours all employees worked during the month by the number of days the establishment was open for business. After the test is met for 2 consecutive months, a return is required covering the first payroll period that begins at that point and runs to the end of the year.

Note: *A payroll period may be a calendar year or any reasonable divison of a calendar year.*

A return is required only for establishments in the 50 states and the District of Columbia. A return is not required for establishments operated for less than 1 month in any calendar year.

Since tipping is not customary at cafeterias or fast food operations, a return is not required for these establishments.

When To File.—File Form 8027 by February 28, 1989. (Also file **Form 8027-T,** Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips, if you are required to report for more than one establishment.)

Where To File.—File with the Internal Revenue Service Center, Andover, MA 05501.

Period Covered.—The period covered is for a calendar year. The employer must report for the calendar year the:

- Total charged tips,
- Total charged receipts on which there were charged tips,
- Total amount of service charges of less than 10% paid as wages to employees,
- Total tips reported by employees,
- Gross receipts from food or beverage operations, and
- Total allocated tips to employees if total amount of reported tips is less than 8% of gross receipts.

Penalties.—The following penalties may apply to employers required to file Forms 8027, 8027-T, and **W-2,** Wage and Tax Statement. They may also apply to paper filers as well as magnetic media filers. The maximum amounts of the penalties are $100,000 per calendar year unless otherwise noted. The penalties will apply unless the failures were due to reasonable cause and not due to willful neglect.

(1) A penalty of $50 per failure may apply to:

- Each failure to timely file an information return including failure to file on magnetic media if required.
- Each failure to furnish the employee's TIN (usually the social security number) on Form W-2.
- Each failure to furnish a Form W-2 to the employee.

(2) A penalty of $5 per failure may apply to:

- Each failure by the employer to include his or her TIN (taxpayer identification number, usually the employer identification number) on any return, statement, or document.
- Each failure to include correct information on a return or statement. This penalty applies to the omission of information as well as the inclusion of incorrect information. The maximum penalty is $20,000. However, the penalty does not apply if a penalty for failure to supply a correct TIN has been imposed under item 1 above.

Allocation of Tips.—An employer must allocate tips among employees who receive tips only if the total tips reported to the employer during any payroll period are less than 8% of the employer's gross receipts for that period. The amount allocated is for information purposes only, and employers should not withhold income or social security taxes on that amount. See **Pub. 539,** Employment Taxes, for more information.

Generally, the amount allocated is the difference between the total tips reported by employees and 8% of the **gross receipts**, other than nonallocable receipts. Nonallocable receipts are receipts for carryout sales and receipts with a service charge added of 10% or more.

The method of allocating tips based on the **number** of **hours worked** by directly tipped employees is restricted. Only establishments employing fewer than the equivalent of 25 full-time employees during a payroll period may use the hours worked method. The hours worked method of allocating is explained on page 2 in step (3) and in regulations section 31.6053-3(f)(1)(iv). An employer will be considered to have employed fewer than the equivalent of 25 full-time employees during a payroll period if the average number of employee hours worked per business day during a payroll period is less than 200 hours. See regulations section 31.6053-3(j)(19).

An allocation can be made under a **good faith agreement.** A good faith agreement is a written agreement between the employer and at least two-thirds of the employees of each occupational category of employees who receive tips (e.g., waiters and waitresses, busboys, maitre d's) working in the establishment when the agreement is adopted. The agreement must:

(a) Provide for an allocation of the difference between total tips reported and 8% of gross receipts among employees who receive tips that approximates the actual distribution of tip income among the employees;

(b) Be effective with the first day of a payroll period that begins after the date of adoption, but no later than January 1 of the next year;

(c) Be adopted when there are employees in each occupational category who would be affected by the agreement; AND

(d) Allow for revocation by a written agreement adopted by at least two-thirds of the employees in occupational categories affected by the agreement when it is revoked. The revocation is effective only at the beginning of a payroll period.

If no good faith agreement applies to the payroll period, the employer must allocate the difference between total tips reported and 8% of gross receipts using the following **steps:**

(1) Multiply the establishment's gross receipts (other than receipts for carryout sales and receipts with a service charge added of 10% or more) for the payroll period by 8% (.08).

(2) Subtract from this the total amount of tips reported by employees who were tipped indirectly for the payroll period. This difference is the directly tipped employees' total share of 8% of the gross receipts of the establishment. Indirectly tipped employees do not receive tips directly from customers. Examples are busboys, service bartenders, and cooks. Directly tipped employees, such as waiters, waitresses, and bartenders, receive tips directly from customers. Employees who receive tips directly from customers and indirectly through tip splitting or pooling, such as maitre d's, are treated as directly tipped employees.

(3) For each employee who is tipped directly, multiply the result in step (2) by the following fraction: the numerator (top number) is the amount of the establishment's gross receipts attributable to the employee, and the denominator (bottom number) is the gross receipts attributable to all employees who are directly tipped. This result is each directly tipped employee's share of 8% of the gross receipts for the payroll period.

If the establishment employed fewer than the equivalent of 25 full-time employees in any pay period, the allocation of tips for that period can be based on the number of hours worked by directly tipped employees. The fraction described above would be substituted with the number of hours worked by each employee who is tipped directly and the total number of hours worked by all employees who are directly tipped for the payroll period.

(4) From each directly tipped employee's share of 8% of the gross receipts figured above, subtract the tips that employee reported for the payroll period. The result is each directly tipped employee's shortfall (if any) for the period.

(5) From the amount figured in step (1) (8% of the gross receipts), subtract the total tips reported by both directly and indirectly tipped employees. The result is the amount that has to be allocated among the directly tipped employees who had a shortfall for the payroll period as figured in step (4).

(6) For each directly tipped employee who had a shortfall for the period as figured in step (4), multiply the amount in step (5) by the following fraction: the numerator is the employee's shortfall (figured in step (4)), and the denominator is the total shortfall of all directly tipped employees. The result is the amount of allocated tips for each directly tipped employee.

Example: A large food or beverage establishment has gross receipts for a payroll period of $100,000 and has tips reported for the payroll period of $6,200. Directly tipped employees reported $5,700, while indirectly tipped employees reported $500.

Directly tipped employees	Gross receipts for payroll period	Tips reported
A	$18,000	$1,080
B	16,000	880
C	23,000	1,810
D	17,000	800
E	12,000	450
F	14,000	680
	$100,000	$5,700

The allocation, figured using steps (1) through (6), would be as follows:

(1) $100,000 (gross receipts) × .08 = $8,000

(2) $8,000 − $500 (tips reported by indirectly tipped employees) = $7,500

(3)

Directly tipped employees	Directly tipped employees' share of 8% of the gross		Gross receipts ratio		Employee's share of 8% of gross
A	$7,500	×	18,000/100,000	=	$1,350
B	7,500	×	16,000/100,000	=	1,200
C	7,500	×	23,000/100,000	=	1,725
D	7,500	×	17,000/100,000	=	1,275
E	7,500	×	12,000/100,000	=	900
F	7,500	×	14,000/100,000	=	1,050
					$7,500

(4)

Directly tipped employees	Employee's share of 8% of the gross		Tips reported		Employee shortfall
A	$1,350	−	$1,080	=	$270
B	1,200	−	880	=	320
C	1,725	−	1,810	=	—
D	1,275	−	800	=	475
E	900	−	450	=	450
F	1,050	−	680	=	370
			Total shortfall		$1,885

(5) $8,000 − $6,200 (total tips reported) = $1,800 (amount allocable among employees who had a shortfall).

(6)

Shortfall employees	Allocable amount		Shortfall ratio		Amount of allocation
A	$1,800	×	270/1,885	=	$258
B	1,800	×	320/1,885	=	306
D	1,800	×	475/1,885	=	454
E	1,800	×	450/1,885	=	430
F	1,800	×	370/1,885	=	353

Since employee C has no shortfall, there is no allocation to C.

Note: *The total amount of allocation is $1,801 because of rounding to whole numbers in this example.*

If employers who make allocations among employees follow a good faith agreement or the method described above, they are not liable to any employee if any amount is improperly allocated. However, if the allocation shown on the employee's Form W-2 varies from the correct allocation by more than 5%, the employer must adjust that employee's allocation and must review the allocable amount of all other employees in the same establishment to assure that the error did not distort any other employee's share by more than 5%. Use **Form W-2c**, Statement of Corrected Income and Tax Amounts, to report the corrected allocation. Tip allocations have no effect on withholding income or social security tax from employees' wages. Allocated tips are not subject to withholding and are not to be included in box 10, Wages, tips, and other compensation, of Form W-2.

You do not have to send to IRS separate copies of Forms W-2 showing allocated tips. IRS will use the information shown on the Forms W-2 that you file with the Social Security Data Operations Center.

Reporting Allocated Tips to Employees.—Give each employee who has been allocated tips a Form W-2 that shows the allocated amount in box 6. Give the W-2 to the employee no later than January 31 of the following year. If employment ends before the end of the year and the employee asks for the W-2, a tip allocation is not required on the early W-2. However, the employer may include on the early W-2 the employee's actual tip allocation or a good faith estimate of the allocation. Signify a good faith estimate by putting the word "estimate" next to the allocated amount in box 6 of the W-2. If no allocation was shown on the early W-2 or if the estimated allocation on the early W-2 varies from the actual amount by more than 5%, give the employee a Form W-2c during January of the next year.

Specific Instructions

File a separate Form 8027 for each large food or beverage establishment.

Name and address of establishment and employer identification number (EIN).—Please use the label provided. Make any corrections on the label. If you do not have one, please type or print the name and address of the establishment. They may be different from the employer's name and address, as in the case of employers who have more than one establishment. The employer identification number should be the same as the number used by the employer on the Forms W-2 given to the employees and the Form 941 or Form 941E the employer files reporting wages and taxes for employees working for the establishment.

Kind of establishment.—Check only one box. Check the box on the form that describes the food or beverage operation at this establishment as described below.

- 1—an establishment that serves evening meals only (with or without alcoholic beverages).
- 2—an establishment that serves evening and other meals (with or without alcoholic beverages).
- 3—an establishment that serves only meals other than evening meals (with or without alcoholic beverages).
- 4—an establishment that serves food, if at all, only as an incidental part of the business of serving alcoholic beverages.

Employer's name and address.—Enter the name and address of the employer.

Establishment number.—Enter a five-digit number to identify the individual establishments of an employer reporting under the same EIN. Number the various establishments each with a unique number. For example, each establishment could be numbered consecutively, starting with 00001, until each establishment for which the employer is required to file a return has a number.

Line-by-Line Instructions

Line 1—Total charged tips for 1988.—Write the total amount of tips that are shown on charge receipts for the year.

Line 2—Total charged receipts on which there were charged tips.—Show the total sales (other than carryout sales or sales with an added service charge of 10% or more) from charge receipts that had a charged tip shown. Include credit card charges and other credit arrangements and charges to a hotel room unless the employer's normal accounting practice consistently excludes charges to a hotel room. Do not include any state or local taxes in the amounts reported.

Line 3—Total service charges of less than 10% paid as wages to employees.—Report the total amount of service charges of less than 10% that have been added to customers' bills and have been distributed to your employees for the year. In general, service charges added to the bill are not tips since the customer does not have a choice. These service charges are treated as wages and are includible on Form W-2. For a more detailed explanation, see Revenue Ruling 69-28, 1969-1 C.B. 270.

Line 4a—Total tips reported by indirectly tipped employees.—Use line 4a to report the total amount of tips reported for the year by indirectly tipped employees, such as busboys and cooks.

Line 4b—Total tips reported by directly tipped employees.—Write the total amount of tips reported for the year by directly tipped employees, such as waiters and waitresses.

Line 4c—Total tips reported.—Add lines 4a and 4b.

Caution: *Do not include tips received by employees in December 1987 but not reported until January 1988. However, include tips received by employees in December 1988 but not reported until January 1989.*

Line 5—Gross receipts from food and beverage operations (other than nonallocable receipts).—Report the total gross receipts from the provision of food or beverages for this establishment for the year. Gross receipts include all receipts (other than receipts for carryout sales or sales with an added service charge of 10% or more) from cash sales, charge receipts, charges to a hotel room (excluding tips charged to the hotel room if the employer's accounting procedures allow such tips to be segregated out), and the retail value of complimentary food or beverages served to customers as explained below. Do not include state or local taxes in gross receipts.

If you do not charge separately for providing food or beverages along with other goods or services (such as a package deal for food and lodging), make a good faith estimate of the gross receipts from the food or beverages. This estimate must reflect the cost to the employer for providing the food or beverage plus a reasonable profit factor.

Food or beverages served to customers without charge are complimentary if: (a) tipping for providing them is customary at the establishment, and (b) they are provided in connection with an activity that is engaged in for profit and whose receipts would not be included in line 5. For example, you would not have to include the retail value of complimentary hors d'oeuvres at your bar or a complimentary dessert served to a regular patron of your restaurant, because the receipts of the bar or restaurant would be included in line 5. You would not have to include the value of a fruit basket placed in a hotel room since, generally, tipping for it is not customary. However, drinks served without charge to customers in a gambling casino are complimentary. You would have to include the retail value of the complimentary drinks served to customers in a gambling casino because tipping is customary, the gambling casino is an activity engaged in for profit, and the gambling receipts of the casino are not included in line 5.

Do not include in gross receipts charged tips shown on charged sales unless you have reduced the cash sales amount because you have paid cash to tipped employees for tips they earned that were charged.

Line 6.—Multiply line 5 by 8% (.08) or the lower rate granted by the district director and enter this result on line 6.

If a lower percentage rate has been granted, write the rate on the line provided and attach a copy of the district director's determination letter.

You or a majority of the employees may request a lower rate (but not lower than 2%) by applying to the district director for the district in which the establishment is located. The burden of supplying sufficient information to allow the district director to estimate with reasonable accuracy the actual tip rate of the establishment rests with the petitioner. The employer's petition for a lower rate must clearly demonstrate that a rate less than 8% should apply and must include:

(a) The employer's name, address, and EIN;

(b) The establishment's name, address, and establishment number;

(c) A detailed description of the establishment which would help in determining the tip rate, such as type of restaurant, days and hours of operation, type of service including any self-service, the person (waiter or waitress, cashier, etc.) to whom the customer pays the check, whether the check is paid before or after the meal and whether alcohol is available;

(d) The past year's information shown on lines 1 through 6 of Form 8027, as well as total carryout sales; total charge sales; the percentage of sales for breakfast, lunch, and dinner; average dollar amount of a guest check; service charge, if any, added to the check; and the percentage of sales with a service charge;

(e) The type of clientele; and

(f) Copy of a representative menu for each meal.

The petition must contain the following statement and be signed by a responsible person who is duly authorized to make and sign a return, statement, or other document.

"Under penalties of perjury, I declare that I have examined this application, including accompanying documents, and to the best of my knowledge and belief, the facts presented in support of this petition are true, correct, and complete."

Employers are required to attach copies of Form 8027 (if any) filed for the prior 3 years to their petition. Employers petitioning for multiple establishments or those who want to know their appeal rights should see Revenue Procedure 86-21, 1986-1 C.B. 560.

A majority of all the directly tipped employees must consent to an employee-originated petition. A majority of employees means more than half of all the directly tipped employees employed at the establishment(s) at the time the petition is filed. Procedures that employee groups must use are in regulations section 31.6053-3(h), **Pub. 531**, Reporting Income From Tips, and in the previously mentioned Revenue Procedure 86-21.

The district director will notify you when and for how long the reduced rate is effective.

Note: *If you have allocated tips using other than the calendar year, put an X on line 6 and enter the amount of allocated tips (if any) from your records on line 7. This may occur if you allocated tips based on the time period for which wages were paid or allocated on a quarterly basis.*

Line 7—Allocation of tips.—If 8% (or lower rate granted by the district director) of gross receipts (line 6) is more than the amount of tips reported by your employees (line 4c), you must allocate the difference to those employees. See the *Example* on page 2, especially step (6), for employees who have no reporting shortfall.

Check the box that describes the allocation method used. If you allocated based on hours worked by directly tipped employees, check box a. Substitute the number of hours worked by directly tipped employees for the gross receipts attributable to directly tipped employees in step (3) of the allocation formula on page 2. The allocation based on hours worked can only be used if the establishment employed fewer than the equivalent of 25 full-time employees during a pay period.

If you allocated based on gross receipts, check box b. Gross receipts attributable to a directly tipped employee are gross receipts from providing food or beverages to customers the employee served. One way to figure the gross receipts attributable to a directly tipped employee is to add the amounts of all checks with the employee's name or identification number (excluding from the total any checks for carryout sales or with a service charge added of 10% or more).

If you allocate based on a good faith agreement, check box c and attach a copy of the agreement to Form 8027. The conditions that a good faith agreement must meet are explained under the heading *Allocation of Tips*.

Line 8—Total number of directly tipped employees.—Write the total number of directly tipped employees who worked at this establishment during 1988. This number is the cumulative total of all directly tipped employees who worked at the establishment during the year. If you have a large turnover of directly tipped employees, this number may be large.

Do not use this number to determine if you must file Form 8027. The filing requirement is based on the number of **all** employees working at the establishment, not just the number of directly tipped employees.

Form **8264**
(Rev. November 1987)
Department of the Treasury
Internal Revenue Service

Application for Registration of a Tax Shelter

▶ **See separate instructions**

▶ **For Paperwork Reduction Act Notice, see separate instructions.**

OMB No. 1545-0865
Expires: 10-31-90

For IRS use only ☐

If this is an amended form, enter the tax shelter registration number previously issued to the tax shelter. (See the instructions.) ▶

Part I Identifying Information

Note: *The tax shelter registration number will be sent to the organizer's address below.*

Tax shelter name			Tax shelter organizer's name		If you are not the principal organizer, check the box ▶ ☐
Street address			Street address (include room number, if any)		
City	State	ZIP code	City	State	ZIP code
Taxpayer identification number	Telephone number		Taxpayer identification number	Telephone number	

Part II Tax Shelter Information

1a Type of business organization ☐ Partnership (including a limited partnership) ☐ Trust ☐ S Corporation ☐ Schedule C or F activity ☐ Other (specify) ▶

b Is this offering subject to the aggregation rules in the regulations? ☐ Yes ☐ No

2a Principal business activity code

b Secondary business activity code (If no secondary business activity, enter N/A.)

3a Principal asset acquired (or to be acquired)

b Was acquisition from a related party? ☐ Yes ☐ No

c (1) Cost (actual or projected) to tax shelter $

c (2) Cost to related party $

d Foreign asset ☐ Yes ☐ No Country ▶

e Means of acquisition ☐ Purchase ☐ Construction ☐ Lease ☐ Other (specify) ▶

f (1) Date acquired

f (2) Date placed in service

4 Accounting method ☐ Cash ☐ Accrual ☐ Hybrid ☐ Other (specify) ▶

5a Is the tax shelter offering required to be registered with Federal or state agencies? ☐ Yes ☐ No

b Is the tax shelter offering exempt from Federal or state agency registration but filing of notice is required? ☐ Yes ☐ No

c If you checked "Yes" in either item 5a or 5b, check the appropriate boxes in item c(1) and/or enter the names of the states in item c(2).

c (1) Federal ☐ SEC ☐ HUD ☐ CFTC ☐ Other

c (2) State(s)

6 Prior registered tax shelters

Note: Complete items 7a through 9e for a minimum investment unit. (See instructions for item 7a.)

7a Method of financing

		b Length of financing
(1) Cash	$	
(2) Property contributions	$	
(3) Recourse debt	$	
(4) Nonrecourse debt	$	
(5) Other (specify)	$	
(6) Total (add items 7a(1) through 7a(5))	$	

c Is any financing collateralized by letters of credit? ☐ Yes ☐ No

d Source of financing ☐ Unrelated party ..... % ☐ Related party %

e Foreign-connected financing. If none, check the box ☐; otherwise, enter $ Country ▶

8a Gross deductions $

Deduction codes

b Total credits $

Credit codes

9 Tax shelter ratio (complete the worksheet on page 2 of this form)

a Year 1	**b** Year 2	**c** Year 3	**d** Year 4	**e** Year 5

10 Aggregate amount from sale of investment units ▶ $

11a Maximum number of investors **b** Maximum number of investment units

12 Date investment unit first offered for sale

Please Sign Here

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, the information on it is true, correct, and complete. Declaration of preparer (other than tax shelter organizer) is based on all information of which preparer has any knowledge.

▶ Signature of tax shelter organizer — Date — ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ — Date — Check if self-employed ▶ ☐ — Preparer's social security number

Firm's name (or yours, if self-employed), address, and ZIP code ▶ — E.I. No. ▶ — Telephone number ▶ ( )

Tax Shelter Ratio Worksheet

Part I Tax Benefits	a. Year 1	b. Year 2	c. Year 3	d. Year 4	e. Year 5
1 Current year's gross deductions					
2 Prior years' gross deductions		(line 3, col. a)	(line 3, col. b)	(line 3, col. c)	(line 3, col. d)
3 Cumulative gross deductions (add lines 1 and 2)					
4 Current year's credits					
5 Prior years' credits		(line 6a, col. a)	(line 6a, col. b)	(line 6a, col. c)	(line 6a, col. d)
6a Cumulative credits (add lines 4 and 5)					
b *	*	*	*	*	*
c Multiply line 6a by line 6b					
7 Cumulative tax benefits (add lines 3 and 6c)					
Part II Investment Base					
8 Cash contributed					
9 Adjusted basis of property contributed					
10 Additions to investment base					
11 Tentative investment base (add lines 8 through 10)					
12 Reductions to investment base					
13 Current year's investment base (subtract line 12 from line 11)					
14 Prior years' investment base		(line 15, col. a)	(line 15, col. b)	(line 15, col. c)	(line 15, col. d)
15 Cumulative investment base (add lines 13 and 14)					
16 Tax shelter ratio (divide line 7 by line 15). Enter in the appropriate space in item 9 on the front of this form					

Explanation of Items

* For tax shelters in which interests are first offered for sale after December 31, 1986, enter 3.5 in each column; otherwise, enter 2.

Department of the Treasury
Internal Revenue Service

Instructions for Form 8264

(Revised November 1987)

Application for Registration of a Tax Shelter

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws. You are required to give us this information.

Changes You Should Note.—We are no longer requesting the name and address of the manufacturer (if any) of the tax shelter's principal asset. Item 5, dealing with the registration of the tax shelter offering with Federal and state agencies, has been revised and reformatted. The maximum number of investment units in the tax shelter is now reportable in item 11b. Other items on the form have been reformatted.

Purpose of Form.—Organizers of certain tax shelters are required to register the tax shelters with the Internal Revenue Service using Form 8264. Any investment that meets the definition of a "tax shelter" is required to be registered, unless it is described on page 2 under *Exemptions From Registration or Suspension of Registration Requirements for Projected Income Investments.* Organizers filing a properly completed Form 8264 will receive a tax shelter registration number from the Internal Revenue Service. They must furnish the tax shelter registration number to investors in the tax shelter. Investors must report the tax shelter registration number on their tax returns, using **Form 8271**, Investor Reporting of Tax Shelter Registration Number. Penalties are provided for failure to register tax shelters in the time required, for filing false or incomplete information, for failure to furnish a tax shelter registration number to investors, and, in the case of investors, failing to report a tax shelter registration number on their tax returns.

Amended Forms 8264.—Amendments may be made to Form 8264 in certain cases. If there is any material change in fact occurring after the initial registration, you may file an amended form. A material change in fact is a:

(1) A change in the identifying information relating to the tax shelter or tax shelter organizer.

(2) The acquisition or construction of a principal asset not reported on the initial application for registration.

(3) A change in the method of financing a minimum investment unit, or

(4) A change in the principal business activity.

In addition, a change in any tax shelter ratio reported on the initial application for registration that increases or decreases the reciprocal of the tax shelter ratio (i.e., the fraction in which the amount of the applicable investment base is the numerator and the amount of the applicable deductions and credits is the denominator) by 50 percent or more is a material change in facts. (For example, if the tax shelter ratio changes from 2 to 1 to 4 to 1, the reciprocal of the tax shelter ratio decreases from 1/2 to 1/4, a 50% decrease. Similarly, if the tax shelter ratio changes from 6 to 1 to 4 to 1, the reciprocal of the tax shelter ratio increases from 1/6 to 1/4, a 50% increase. Both examples would be a material change in facts.)

To amend Form 8264, enter in the space provided above Part I the tax shelter registration number previously issued to the tax shelter. If the tax shelter has not yet received the registration number, enter "Applied for" in the space. Complete Part I but only show in Part II the information that has changed since the tax shelter was registered. (If you are amending Form 8264 because of a change in the tax shelter ratio, fill in the tax shelter ratio worksheet on page 2.) In addition, you should include any other information that you did not know at the time the tax shelter was registered but have since learned. Complete the signature area on page 1. For further information, see A-45A of Temporary Regulations section 301.6111-1T.

Note: *The filing of an amended application will not affect the determination as to whether the initial application, as and when originally filed, would be subject to any applicable penalty. In addition, if the initial application was timely filed and contained complete and accurate information, the penalty under section 6707 (see* ***Penalties*** *on page 2) will not be imposed as a result of the information in an amended application.*

Preparation of Form.—A registration number may not be issued if an incomplete application is filed. You must make an entry on Form 8264 whenever an item is applicable. Additional space is provided on page 2 or you can attach a statement. You may incorporate information contained in other documents. If you do, copies of the documents must also be attached and the page number of the incorporated material must be specified. When dollar amounts are called for, use whole dollar amounts.

Note: *If an item does not apply or you do not know the requested information, leave the item blank and explain why it does not apply or why you do not know the requested information (unless the instructions specifically tell you to leave the item blank).*

General Instructions

Where To File Form 8264.—File Form 8264 only with the Internal Revenue Service Center, Kansas City, MO 64999.

Who Is Required To Register the Tax Shelter.—A tax shelter must be registered by a tax shelter organizer. The person principally responsible for the organization of the tax shelter (a "principal organizer") is a tax shelter organizer. In addition, (i) a person who participates in the organization of the tax shelter, (ii) a person who participates in the management of the tax shelter at a time when it is not registered, and (iii) a person who participates in the sale of the tax shelter at a time when the person knows or has reason to know that the tax shelter has not been registered may each be treated as a tax shelter organizer.

A group of persons who may be treated as tax shelter organizers may enter into a written agreement designating a principal organizer or other person who participates in the organization as the "designated organizer." (A resident of a foreign country may not be designated.) A party to the agreement, other than the designated organizer, will not be subject to a penalty unless he or she knows or has reason to know that the designated organizer has failed to register the tax shelter as required. In that case, a person, other than the designated person, will be subject to a penalty if he or she does not register the tax shelter as soon as practicable. For more detailed information concerning designation agreements and their consequences, see A-34 through A-39 of Temporary Regulations section 301.6111-1T.

Note: *If a tax shelter is not registered on time, and there is no designation agreement, each person required to register the tax shelter will be subject to a penalty unless he or she has reasonable cause for failure to file a registration statement. For information about the applicable penalty and the circumstances in which a person required to register has reasonable cause for failure to register, see* ***Penalties*** *on page 2, and Temporary Regulations section 301.6707-1T, relating to penalties for failure to furnish information regarding tax shelters.*

When Must the Tax Shelter Be Registered.—In general, a tax shelter must be registered no later than the day on which an interest in the shelter is first offered for sale.

Furnishing a Tax Shelter Registration Number.—In general, any person who sells (or otherwise transfers) an interest in a tax shelter must furnish the tax shelter registration number assigned to that tax shelter to each investor who purchases (or otherwise acquires) an interest in that tax shelter. For purposes of furnishing tax shelter registration numbers, the term "investors" includes both original purchasers of tax shelter interests and persons who acquire their interests from prior purchasers.

The seller (or transferor) must give the registration number to the purchaser (or transferee) at the time of the sale (or transfer) of the interest (or, if later, within 20 days after the seller (or transferor) receives the registration number). If the registration number is not given at the time of sale (or transfer), the seller (or transferor) must instead give the purchaser (or transferee) a statement at that time substantially as provided for in A-53 and A-54 of Temporary Regulations section 301.6111-1T.

For information about furnishing the number, the required content of the written statement, and the required form of legend stating that the tax shelter has not been approved, etc., by the Internal Revenue Service, see A-51 through A-54 of Temporary Regulations section 301.6111-1T.

The registration number must be included on any return on which an investor claims any deduction, loss, credit, or other tax benefit, or reports any income relating to the tax shelter.

Exemptions From Registration.—The following investments are not subject to tax shelter registration:

(1) Sales of residences primarily to persons who are expected to use the residences as their principal place of residence.

(2) Sales or leases of tangible personal property (other than master sound recordings, motion picture or television films, videotapes, lithograph plates, or other property relating to a literary, musical, or artistic composition) by the manufacturer of the property (or a member of an affiliated group, within the meaning of section 1502, including the manufacturer) primarily to persons who are expected to use the property in their principal active trade or business.

(3) Sales or leases of tangible personal property (other than collectibles (as defined in section 408(m)(2)), master sound recordings, motion picture or television films, videotapes, lithograph plates, or other property that includes or relates to a literary, musical, or artistic composition) made by a person in the ordinary course of that person's trade or business to a purchaser or lessee who is reasonably expected to use the property either for a personal use or in the purchaser's or lessee's principal active trade or business.

(4) Performance of services in connection with the recipient's principal active trade or business or for the recipient's personal use.

See A-24 and A-24A of Temporary Regulations section 301.6111-1T for additional information on investments exempt from registration.

Suspension of Registration Requirements for Projected Income Investments.—The registration requirements may be suspended for a tax shelter if investors are told in a written statement made in good faith and based on reasonable economic and business assumptions that their investment is expected to produce net income and not to provide net tax benefits ("a projected income investment"). A tax shelter does not qualify for suspension if there is a projection (whether oral or written) of a net loss or other tax benefit (determined on a cumulative basis) in any of its first 5 years or if the tax shelter invests beyond an incidental amount in any interest in a collectible (as defined in section 408(m)(2)), a master sound recording, motion picture or television film, videotape, lithograph plate, copyright, or a literary, musical, or artistic composition. The suspension ends if the tax shelter subsequently reduces the cumulative tax liability of an investor during the 5-year period. In that case, the tax shelter must be registered within 30 days after the end of the tax shelter's year in which the reduction is generated and before a Schedule K-1 or similar form is sent to the investor. Once the tax shelter is registered, registration numbers must be provided to investors.

For more detailed information concerning the suspension of the registration requirements for projected income investments, see A-57A through A-57J of Temporary Regulations section 301.6111-1T.

Keeping Lists of Investors.—Any person who organizes or sells an interest in any tax shelter required to be registered or for which registration is suspended (see *Suspension of Registration Requirements for Projected Income Investments* above) generally is also required to keep a list identifying (by name, address, and taxpayer identification number) each person who is sold (or otherwise acquires) an interest in the tax shelter. The requirements for keeping lists of investors are specified in Temporary Regulations section 301.6112-1T.

Penalties.—If a tax shelter organizer required to register a tax shelter fails to do so when required, or files false or incomplete information, a penalty of the greater of:

(1) 1 percent of the aggregate amount invested in the shelter, or

(2) $500

may be charged. No penalty will be charged if the organizer has reasonable cause for failing to comply with the registration requirements.

Any person (such as a seller of interests in a tax shelter) required to furnish a tax shelter registration number to investors in the tax shelter who fails to furnish the number will be charged a penalty of $100 for each failure.

A person required to keep a list of investors may be charged a penalty for each investor who is required to be on the list but is omitted. The penalty is $50 for each omission, limited to a maximum of $50,000 per year for omissions that occurred on or before October 22, 1986, and to a maximum of $100,000 per year for omissions that occur or continue after that date. No penalty will be charged if the omission was due to reasonable cause and not due to willful neglect. The requirement to keep investor lists is effective for any tax shelter interest sold for the first time to an investor after August 31, 1984.

Definitions

Principal Organizer.—A person principally responsible for organizing a tax shelter is any person who discovers, creates, investigates, or initiates the investment, devises the business or financial plans for the investment, or carries out those plans through negotiations or transactions with others.

Participation in the Organization of a Tax Shelter.—Participation in the organization of a tax shelter includes the performance of any act (directly or through an agent) related to the establishment of the tax shelter.

Participation in the Management of a Tax Shelter.—Participation in the management of a tax shelter includes managing the assets of the tax shelter or directing or having supervisory authority for its business activities.

Participation in the Sale of a Tax Shelter.—Participation in the sale of a tax shelter includes any marketing activities (directly or through an agent) with respect to an investment.

For more detailed information concerning the terms defined above, see A-25 through A-33 of Temporary Regulations section 301.6111-1T.

Tax Shelter.—A tax shelter is any investment that meets the following two requirements:

(1) The investment is one with respect to which a person could reasonably infer from representations made or to be made in connection with the offering for sale of an interest in the investment that the tax shelter ratio may be greater than 2 to 1 for any investor at the close of any of the first 5 years ending after the date on which the investment is offered for sale; and

(2) The investment is one that is required to be registered under a Federal or state law regulating securities, or that is sold pursuant to an exemption from registration requiring the filing of a notice with a Federal or state agency regulating the offering or sale of securities, or that is a substantial investment.

Substantial Investment.—A substantial investment is one in which the total amount that may be offered for sale to all investors exceeds $250,000 and at least five investors are expected. The total amount offered for sale is the total amount to be received from the sale of interests in the investment. It includes all cash, fair market value of property contributed, and indebtedness received in exchange for interests. (In deciding whether an investment is a substantial investment, only interests that are offered for sale after August 31, 1984, should be considered to determine the total amount that may be offered for sale and the number of investors that are expected.) For the purpose of determining whether five or more investors are expected in an investment involving real property (and related personal property) used as a farm for farming purposes, interests in the investment expected to be held by a husband and wife, their children and parents, and the spouses of their children (or any of them) will be treated as held by one investor.

Aggregation of Similar Plans or Arrangements.—Generally, for purposes of determining whether investments are parts of a substantial investment, investments offered by the same person or related persons that involve similar business assets and similar plans or arrangements are aggregated. However, investments exempt from registration (see paragraphs (3) and (4) under *Exemptions From Registration*, on this page) because they are sold or leased to or involve rendition of services to persons who are reasonably expected to use the property or services for either personal use or in their principal active trade or business are not aggregated with similar investments by persons who are expected to use the property or services for other purposes. See A-22 and A-24A of Temporary Regulations section 301.6111-1T.

Tax Shelter Ratio.—The tax shelter ratio with respect to any year for any investor is the ratio that the aggregate amount of deductions and 350 percent of the credits for tax shelters in which interests are first offered for sale after

December 31, 1986 (200 percent otherwise) that are represented or that will be represented as potentially allowable to an investor under subtitle A of the Internal Revenue Code, for all periods up to (and including) the close of the year, bears to the investment base for the investor as of the close of the year. Use the Tax Shelter Ratio Worksheet on page 2 of Form 8264 to compute tax shelter ratios.

For purposes of computing the tax shelter ratio for a year, general partners in a limited partnership will not be treated as investors in the partnership if the general partners' aggregate interest in each item of partnership income, gain, loss, deduction, and credit for the year is not expected to exceed 2 percent. For purposes other than the computation of the tax shelter ratio, however, general partners will be treated as investors.

The term "year" means the taxable year of a tax shelter, or if the tax shelter has no taxable year, the calendar year.

Potentially Allowable Deduction or Credit.—A deduction or credit is considered to be represented as being potentially allowable to an investor if any oral or written statement is made (or will be made) in connection with the offering for sale of an interest in an investment indicating that a tax deduction or credit is available or may be used to reduce Federal taxable income or Federal income tax. Representations may be made, for example, as advertisements, written offering materials, prospectuses, or tax opinions, and include general representations that tax benefits are available. For example, an advertisement stating that "purchase of a restaurant includes trade fixtures (5-year write-off)" constitutes an explicit representation of tax benefits. In addition, if any explicit representation is made (or will be made) regarding any tax benefit, all deductions or credits typically associated with the investment will be treated as having been represented as potentially allowable. See A-8 through A-12 of Temporary Regulations section 301.6111-1T and the instructions for the Tax Shelter Ratio Worksheet for additional information about potentially allowable deductions or credits.

Investment Base.—The investment base for any year is the cumulative amount of money and the adjusted basis of other property (reduced by any liability to which the other property is subject) that is unconditionally required to be contributed or paid directly to the tax shelter by the investor before the close of the year. The following amounts reduce the investment base:

(1) Any amount (whether recourse or nonrecourse) borrowed by the investor from a participating person, or from any person related (as defined in section 465(b)(3)(C) (section 168(e)(4) for tax years ending before January 1, 1987)) to a participating person, unless the amount is unconditionally required to be repaid by the investor before the close of the year for which the determination is being made. A "participating person" is one who participated in the organization, sale, or management of the investment or who has an interest (other than an interest as a creditor) in the investment. An amount is "unconditionally required to be repaid" only if any offering material in which the amount is described and any agreement relating to the amount so provides.

An amount that is to be repaid only from earnings of the investment is not an amount that is "unconditionally required to be repaid" and thus such an amount reduces the investment base. In addition, an amount is not "unconditionally required to be repaid" and thus reduces the investment base if the amount will be (or is expected to be) reloaned to the investor during the 5-year period ending after the date the investment is offered for sale.

(2) Any amount (whether recourse or nonrecourse) borrowed from any person if the loan is arranged by a participating (or related) person, unless the amount is unconditionally required to be repaid (as described above) by the investor before the close of the year for which the determination is being made. Any borrowing that is represented, either orally or in writing, as being available from a specific source will be treated as arranged by the participating (or related) person, whether or not a commitment to provide the financing is made, if such person provides information to the lender relating to the investment or otherwise informs the lender about the investment. However, in the case of an amount borrowed on a recourse basis, the fact that a lender who is actively and regularly engaged in the business of lending money obtained information relating to the investment from a participating (or related) person solely in response to a lender's request made in connection with such borrowing or a prior loan to the investment, a participating (or related) person, or an investor will not, by itself, result in a determination that the loan is arranged by a participating (or related) person.

(3) Any amount borrowed, directly or indirectly, from a lender located outside the United States ("foreign-connected financing") of which the participating (or related) person knows or has reason to know.

(4) Amounts that are to be held for the benefit of investors in cash, cash equivalents, or marketable securities.

(5) Any distributions of cash or property that will be made without regard to the income of the tax shelter, but only to the extent such distributions exceed the amount to be held as of the close of the year in cash, cash equivalents, or marketable securities.

Specific Instructions

Part I

Enter the name, address, taxpayer identification number, and telephone number (during usual business hours) for both the tax shelter and the tax shelter organizer filing Form 8264. Please include the tax shelter organizer's room number (if any) in the organizer's address. Enter "Applied for" in the "Taxpayer identification number" box(es), if that is the case. **Note:** *The tax shelter registration number will be sent to the organizer's address.*

The tax shelter name will be that of the tax shelter entity if the entity has a taxpayer identification number separate from that of the principal organizer. If the tax shelter consists of Schedule C or Schedule F activities and there is no tax shelter entity, provide the name, address, taxpayer identification number and telephone number (during usual business hours) of the principal organizer in the left block of Part I. (In that case, if you are the principal organizer, the information will be the same in both blocks of Part I.)

If you are not the principal organizer, enter the information as it relates to you in the right block. In addition, check the box in the right block and separately provide the name, address, taxpayer identification number, and telephone number (during usual business hours) of the principal organizer.

Part II

Item 1a.—Check the boxes that describe the tax shelter organization or structure. Please note that the partnership category includes limited partnerships. If you check the "Other" box, specify the type of organization or structure in the space provided.

Item 1b.—Indicate by checking the appropriate box whether the tax shelter is subject to registration because similar investments have been aggregated to form a substantial investment. The "Yes" box should be checked whether or not separate Forms 8264 are filed for the separate investments aggregated to create a substantial investment.

A separate Form 8264 must be completed for each separate investment, aggregated to create a substantial investment, that differs from the other investments so aggregated with respect to any of the following:

(1) Principal asset,
(2) Accounting methods,
(3) Federal or state agencies with which the investment is registered or with which an exemption notice is filed,
(4) Methods of financing the purchase of a minimum investment unit, or
(5) Tax shelter ratio.

Do not file separate Forms 8264 for aggregated investments if the investments do not differ with respect to any of the foregoing. You should attach a separate statement to each Form 8264 that shows the name, address, taxpayer identification number, and telephone number of all such aggregated investments, whether or not separate Forms 8264 are required to be filed. **Note:** *If possible, all separate forms relating to aggregated investments should be filed together.*

Items 2a and 2b.—Enter in item 2a the four-digit code from the chart on page 6 for the principal business activity of the tax shelter. Where two or more activities are relevant to the operation of the tax shelter, enter in item 2a the code that most specifically describes the operation of the tax shelter; in item 2b, enter the code for the secondary activity. Enter N/A only if no other types of activities or transactions are occurring; otherwise, there must be a code entry in item 2b.

Item 3a.—Describe the principal asset of the tax shelter (for example, a building, a computer, a patent, or livestock) acquired (or to be acquired). If the tax shelter has more than one asset, the principal asset is the one with the greatest adjusted basis. For purposes of completing this item, a building and the underlying land should be treated as one asset. Blind pools should also specify the asset to be acquired.

Item 3b.—Check the appropriate box to indicate whether the principal asset was acquired by the tax shelter from a party related (within the meaning of section 465(b)(3)(C) (section 168(e)(4) for tax years ending before January 1, 1987)) to either the tax shelter or a principal organizer. Check "Yes" if any part of the principal asset (*e.g.*, one piece of equipment out of ten, when the ten pieces of equipment constitute the tax shelter's principal asset) is acquired from a related party.

Item 3c(1).—Enter the total cost (actual or projected) of the principal asset of the tax shelter. Use only the costs of acquiring the asset (*e.g.*, an oil or gas lease) itself. Do not include any costs associated with the use of the asset. If the tax shelter did not purchase the principal asset, enter the tax shelter's basis in the asset.

Item 3c(2).—If the principal asset, or any part of it, was acquired by the tax shelter from a related party (i.e., the "Yes" box is checked in item 3b), enter the cost of the principal asset, or the appropriate part of it, when it was first acquired by a party related to the tax shelter, or a principal organizer of the tax shelter, from an unrelated party. If the entire principal asset was acquired by the tax shelter from an unrelated party (i.e., the "No" box is checked in item 3b), leave this item blank.

Item 3d.—Check the "Yes" box if the principal asset of the tax shelter is (or is expected to be) located outside the United States and enter, in the space provided, the name of the foreign country, its possession, or the United States possession where the asset is (or is expected to be) located. Check the "No" box if the principal asset is located in the United States and leave the country space blank.

Item 3e.—If the principal asset is acquired by more than one means (e.g., if part is purchased and part is constructed) check all the boxes that apply. If it is acquired in whole or in part by a means other than purchase, construction, or lease, check the "Other" box and specify the means of acquisition in the space provided.

Item 3f(1).—Enter the date the principal asset was acquired by the tax shelter, or the anticipated acquisition date if the asset has not been acquired by the date the tax shelter is registered. If the principal asset was acquired from a party who is related to the tax shelter or a principal organizer (i.e., the "Yes" box in item 3b is checked), enter the date the asset was first acquired by a party related to the tax shelter, or the principal organizer, from an unrelated party.

Item 3f(2).—Enter the date the principal asset was placed in service by the tax shelter, or the anticipated date if the asset has not been placed in service by the date the tax shelter is registered.

Item 4.—Enter the accounting method used by the tax shelter. Check only one box. Check "Hybrid" only if the accounting method is a combination of the cash and accrual methods. If you check "Other," enter a description in the space provided. **Note:** *In general, tax shelters cannot use the cash method in tax years beginning after December 31, 1986.*

Item 5a.—Check the appropriate box to show whether the tax shelter is required to register with Federal or state agencies regulating securities.

Item 5b.—Check the appropriate box to show, in the case of a tax shelter exempt from registration with Federal or state agencies regulating securities, whether a filing of a notice regarding such exemption is required. **Note:** *If a tax shelter is not exempt from registration, check the "No" box.*

Item 5c.—If you checked the "Yes" box in either item 5a or 5b, complete items 5c(1) and 5c(2) as applicable. In item 5c(1) check the appropriate box(es) for Federal agencies regulating securities. In item 5c(2) enter the states in which the tax shelter is registered with agencies regulating securities, or with which a notice of exemption from securities registration is filed. If the tax shelter is required to register or file an exemption notice in more than five states, enter the five such states in which the highest aggregate amounts are expected to be realized.

Item 6.—If you (or any person related to you as defined in section 465(b)(3)(C) (section 168(e)(4) for tax years ending before January 1, 1987)) were a principal organizer, or participated in the organization, of other tax shelters that were registered, but you were not the filer of Form 8264 for such other shelters, enter in the space provided the tax shelter registration numbers of up to the five most recently registered of those tax shelters. For example, assume that individuals P and M (a person related to P) participate in the organization of Tax Shelter I, and individuals P and D participate in the organization of Tax Shelter II. Also assume that M files a Form 8264 for Tax Shelter I, and D files a Form 8264 for Tax Shelter II. If P were subsequently a participant in the organization of Tax Shelter III and P filed the Form 8264 for Tax Shelter III, P would be required to enter the registration numbers for Tax Shelter I and Tax Shelter II in item 6 of the Form 8264 filed for Tax Shelter III.

Item 7a.—The entries in this item summarize the methods of financing that the tax shelter makes available to investors to purchase a minimum investment unit. For purposes of the form, a "minimum investment unit" is the minimum investment that may be purchased by an investor in the tax shelter and may consist of single, multiple, or fractional units as represented or to be represented in any offering material. For example, if a prospectus states that subscriptions in a limited partnership will be offered in units of $5,000 each with a minimum subscription of five units per subscriber, the minimum investment unit is $25,000. If there is no minimum investment unit represented, the minimum investment unit is the cost of a typical investment purchased by an individual investor. **Note:** *If the tax shelter is a limited partnership, complete items 7a through 9e by providing information concerning the minimum investment unit of a limited partner.*

(1) Cash.—If applicable, check this box and enter in the space provided the minimum amount of cash that is unconditionally required to be contributed or paid by the purchaser of a minimum investment unit during the first 5 years of the tax shelter.

(2) Property Contributions.—If applicable, check this box and enter in the space provided the adjusted basis of any property expected to be contributed by the purchaser of a minimum investment unit during the first 5 years of the tax shelter.

(3) Recourse Debt.—If recourse debt that is available to the purchaser of a minimum investment unit will reduce the investment base, check this box and enter in the space provided the maximum amount of such debt.

(4) Nonrecourse Debt.—If nonrecourse debt that is available to the purchaser of a minimum investment unit will reduce the investment base, check this box and enter in the space provided the maximum amount of such debt.

(5) Other.—If applicable, check this box and enter in the space provided the maximum amount of any financing that the purchaser of a minimum investment unit can obtain under any other financing method. Also, describe such other financing method in the space provided.

Item 7a(6).—Add items 7a(1) through 7a(5). This should be the total acquisition cost for a minimum investment unit. If it is not, provide an explanation. For example, if the cost of a minimum investment unit is $50,000, with the purchaser putting $5,000 cash down and financing the remaining $45,000 with a nonrecourse loan repayable over 5 years, $5,000 is entered in item 7a(1), $45,000 is entered in item 7a(4), and $50,000 is the total shown in item 7a(6).

Item 7b.—Enter in the boxes corresponding to the types of financing specified in items 7a(3) through 7a(5) the maximum period of time (in whole years) over which such borrowed amounts may be repaid.

Item 7c.—If applicable, check the appropriate box to indicate whether any of the investor's financing is expected to be collateralized by one or more letters of credit or whether any of the tax shelter's financing is expected to be collateralized by letters of credit executed by the investors.

Item 7d.—If applicable, check the box marked "Unrelated party" and enter the maximum percentage of the financing included in item 7a that may be borrowed by an investor from a party who is not the tax shelter, a participating person, or a related person (as defined in section 465(b)(3)(C) (section 168(e)(4) for tax years ending before January 1, 1987)), but which reduces the investment base because it will be arranged by the tax shelter, a participating person, or a related person.

Check the box marked "Related party," and enter the maximum percentage of the financing included in item 7a that is expected to be borrowed by an investor from the tax shelter, a participating person, or a related person, and which reduces the investment base.

Item 7e.—If no foreign-connected financing is available, check the "None" box (see *Investment Base* on page 3 for the definition of foreign-connected financing). If any of the financing included in item 7a is foreign-connected financing, enter the maximum dollar amount of such financing and the foreign country, foreign possession, or U.S. possession in which the lender is located. If foreign-connected financing is available from more than one foreign country, foreign possession, or U.S. possession, enter in the right-hand space the country, foreign possession, or U.S. possession from which the greatest dollar amount of such financing is available and the portion (in dollars) of the amount entered in the left-hand space that is available from such country or possession.

Item 8a.—Enter the dollar amount of gross deductions under subtitle A of the Code represented (or to be represented) as potentially allowable over the first 5 years to the purchaser of a minimum investment unit in the tax shelter. In addition, from the list

below, enter the codes for the two largest deductions, in dollar terms, represented (or to be represented) as being potentially allowable to an investor in the tax shelter.

01 Amortization
02 Charitable contributions
03 Demolition expenses
04 Depletion, oil and gas
05 Depletion, other
06 Depreciation
07 Feed expenses
08 Consulting fees
09 Loan placement fees
10 Management fees
11 Marketing fees
12 Fees, other
13 Financing charges
14 Guaranteed payments
15 Intangible drilling costs
16 Interest expenses
17 Legal expenses
18 Mining development costs
19 Ordinary loss from sale of an asset
20 Rehabilitation expenses
21 Rental expenses
22 Research and experimental expenditures
23 Royalties, oil, gas, and mineral
24 Royalties, other
25 Soil and water conservation expenditures
99 Other

Item 8b.—Enter the dollar amount of total credits under subtitle A of the Code represented (or to be represented) as potentially allowable over the first 5 years to the purchaser of a minimum investment unit in the tax shelter. Also, from the list below, enter the codes for the two largest credits, in dollar terms, represented (or to be represented) as being potentially allowable to an investor in the tax shelter.

01 Energy property (section 48(l))
02 Increasing research activities (section 41)
03 Investment credit, certain leased property (section 48(d))
04 Investment credit, movie and television film (section 48(k))
05 Investment credit, single purpose agricultural or horticultural structure (section 48(p))
06 Investment credit, other
07 Orphan drug (section 28)
08 Qualified rehabilitation expenditures (section 48(g))
09 Low-income housing (section 42)
99 Other

Items 9a–9e.—Enter the highest tax shelter ratio for any investor as of the close of each of the first 5 years of the tax shelter. For this purpose, general partners in a limited partnership will not be treated as investors in the partnership if the aggregate interest of all general partners in each item of partnership income, gain, loss, deduction, and credit for such year is not expected to exceed 2 percent. If the general partner is treated as an investor and the tax shelter ratio for the general partner as of the close of any of the first 5 years of the tax shelter exceeds the highest tax shelter ratio for any limited partner for such year, the tax shelter organizer also must attach a statement to Form 8264 providing the information requested in items 7a through 7e for the minimum investment unit of a general partner.

Use the Tax Shelter Ratio Worksheet on page 2 of Form 8264 to figure the tax shelter ratio for any investor for each of the first 5 years of the tax shelter. See the Tax Shelter Ratio Worksheet instructions on this page. Figure the tax shelter ratio to 2 decimal places, rounded off. For example, if line 16, column a of the worksheet is 6.654, enter 6.65 in item 9a on page 1 of the form; if line 16, column b is 14.735, enter 14.74 in item 9b.

Item 10.—Enter the maximum aggregate amount to be received from the sale of investment units in the tax shelter, as represented (or to be represented) in any offering material. If there is no maximum aggregate amount, enter the aggregate amount reasonably expected to be received from the sale of investment units.

Item 11a.—Enter the maximum number of investors that potentially can participate in the tax shelter, as represented (or to be represented) in any offering material. If there is no maximum number of investors, enter the number of investors reasonably expected to participate in the tax shelter. If investors are required to purchase multiple units, or are permitted to purchase fractional units, attach an explanation, including the numbers of investors expected in all three categories (*i.e.*, single, multiple, and fractional units).

Item 11b.—Enter the maximum number of investment units in the tax shelter that potentially can be sold, as represented (or to be represented) in any offering material. If there is no maximum number represented (or to be represented), enter the number reasonably expected to be sold.

Item 12.—If interests in a tax shelter were offered to any investor prior to September 1, 1984, enter the date (or anticipated date) of the first offer made after August 31, 1984. If the first offering of a tax shelter interest is made after August 31, 1984, enter the date (or anticipated date) of the first offering.

Signatures

Tax Shelter Organizer

Form 8264 must be signed by the tax shelter organizer.

Paid Preparer's Information

If someone prepares Form 8264 and does not charge for it, that person should not sign the form.

Generally, anyone who is paid to prepare Form 8264 must sign it and fill in the other blanks in the Paid Preparer's Use Only area of the form.

The preparer required to sign Form 8264 MUST complete the required preparer information and:

- *Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)*
- *Give the organizer a copy of Form 8264 in addition to the copy to be filed with the IRS.*

The preparer should enter the telephone number where he or she may be reached during usual working hours.

Preparers should be familiar with their responsibilities. They should get **Publication 1045,** Information for Tax Practitioners, for more details.

Tax Shelter Ratio Worksheet

General Instructions

Gross Deductions and Total Credits.—For purposes of the tax shelter ratio, the deductions and credits to be taken into account are gross deductions and total credits potentially allowable with respect to the investment. They are not offset or reduced by any income derived or to be derived from the investment, any potential tax liability resulting from the investment, any potential recapture of deductions or credits, or any deductions or credits that may not be currently claimable because of the passive activity limitations.

Interest.—Interest on a debt obligation incurred to acquire a tax shelter interest is taken into account if the deduction for such interest is explicitly represented (or will be represented) as being allowable. Also, interest on any debt obligation, the proceeds of which reduce the investment base, is taken into account regardless of whether a deduction for such interest is specifically represented as being allowable. See the instructions for line 12 of this worksheet for information on debts that reduce the investment base.

Aggregated Investments.—In the case of aggregated investments for which multiple Forms 8264 must be completed (see item 1b of these instructions), compute for each separate Form 8264 the highest tax shelter ratio for an investor in the investments to which such Form 8264 relates. Enter this ratio in the appropriate space for item 9 of each of the separate Forms 8264.

Line 1.—Enter the amount of gross deductions represented as being potentially allowable to the investor for the particular year.

Line 6b.—For tax shelters in which interests are first offered for sale after December 31, 1986, enter 3.5 in each column; otherwise, enter 2.

Line 8.—Enter the amount of cash to be contributed by the investor.

Line 9.—Enter the adjusted basis of property (reduced by any liability to which the property is subject) to be contributed by the investor.

Line 10.—Leave this line blank.

Line 12.—Enter the sum of:

(1) Any amount (whether recourse or nonrecourse) borrowed by the investor from any person who participated in the organization, sale, or management of the tax shelter (a participating person) or from any person related (as defined in section 465(b)(3)(C) (section 168(e)(4) for tax years ending before January 1, 1987)) to a participating person, unless the amount is unconditionally required to be repaid by the investor before the close of the particular year;

(2) Any amount (whether recourse or nonrecourse) borrowed by the investor from any person if the loan was arranged by a participating (or related) person, unless the amount is unconditionally required to be repaid before the close of the year for which the determination is being made;

(3) Any amount borrowed, directly or indirectly, from a lender located outside the United States of which a participating (or related) person knows or has reason to know;

(4) Amounts to be held by the tax shelter for the benefit of investors in cash, cash equivalents, or marketable securities; and

(5) Any distributions of cash or property that will be made without regard to the income of the tax shelter, but only to the extent such distributions exceed the amount to be held as of the close of the year in cash, cash equivalents, or marketable securities.

Business Activity Codes

Agriculture, Forestry, and Fishing

Code

Farms:

0110 Farming, grain
0113 Farming, beans
0130 Farming, field crop except grain and beans
0160 Vegetable and melon farms
0170 Fruit and nut tree farms
0180 Horticultural specialty
0212 Beef cattle, except feedlots
0215 Hogs, sheep, and goats
0216 Livestock feeding
0240 Dairy farms
0250 Poultry and eggs
0260 General livestock (except animal specialty)
0270 Animal specialty

Agricultural services and forestry:

0740 Veterinary services
0753 Livestock breeding
0754 Animal services, except livestock breeding and veterinary
0723 Horse breeding
0760 Landscape and horticultural services
0780 Other agricultural services
0830 Forestry and timber

Fishing, hunting, and trapping:

0930 Commercial fishing, hatcheries, and preserves
0970 Hunting, trapping, and game propagation

Mining

1000 Metal mining, except gold and silver
1040 Gold and silver mining
1150 Coal mining
1300 Oil and gas extraction
1400 Nonmetallic minerals except fuel

Construction

General building contractors and operative builders:

1510 General building contractors
1531 Operative builders

Heavy construction contractors:

1611 Highway and street construction
1620 Heavy construction, except highway

Special trade contractors:

1711 Plumbing, heating, and air conditioning
1721 Painting, paperhanging, and decorating
1731 Electrical work
1740 Masonry, stonework, and plastering
1750 Carpentering and flooring
1761 Roofing and sheet metal work
1771 Concrete work
1781 Water well drilling
1790 Miscellaneous special trade contractors

Manufacturing

Code

2000 Food and kindred products
2200 Textile mill products
2300 Apparel and other textile products
2400 Lumber and wood products, except furniture
2500 Furniture and fixtures
2700 Printing, publishing, and allied industries
2800 Chemicals and allied products
2869 Ethanol
3100 Leather and leather products
3200 Stone, clay, and glass products
3300 Primary metal industries
3400 Fabricated metal products
3500 Machinery, except electrical
3523 Windmills
3600 Electrical and electronic equipment
3700 Transportation equipment
3970 Other manufacturing industries

Transportation, Communication, Electric, Gas, and Sanitary Services

Local and interurban passenger transit:

4189 Passenger transportation

Trucking and warehousing:

4210 Trucking, local and long distance
4289 Public warehousing and trucking terminals

Other transportation including transportation services:

4400 Water transportation
4542 Transportation by air
4722 Passenger transportation arrangement
4723 Freight transportation arrangement
4799 Other transportation services

4800 Communication
4811 Cable TV
4900 Electric and gas services
4950 Sanitary services

Wholesale Trade

5000 Durable
5100 Nondurable

Retail Trade

5200 Building materials, hardware, garden supply, and mobile home dealers
5300 General merchandise
5400 Food stores
5500 Automotive dealers and service stations
5600 Apparel and accessory stores
5700 Furniture, home furnishings, and equipment stores
5800 Eating and drinking places
5900 Miscellaneous retail stores

Finance, Insurance, and Real Estate

Security and commodity brokers, dealers, exchanges, and services:

6212 Security underwriting syndicates
6018 Security brokers and dealers, except underwriting syndicates
6099 Commodity contracts brokers and dealers, security and commodity exchanges, and allied services

Real estate:

6411 Insurance agents, brokers, and services
6501 Real estate lessor, commercial
6502 Real estate lessor, residential
6503 Real estate lessor, low income housing
6504 Real estate lessor, certified historic structure
6511 Real estate operators (except developers and lessors of buildings)
6520 Lessors of real property other than buildings
6531 Real estate agents, brokers, and managers
6541 Title abstract offices
6552 Subdividers and developers, except cemeteries
6553 Cemetery subdividers and developers
6560 Real estate time sharing

Holding and other investment companies:

6745 Investment clubs
6747 Common trust funds
6748 Other holding and investment companies

Miscellaneous investing:

6791 Commodities
6795 Options
6798 Foreign currencies
6797 Financial instruments

Straddles:

6801 Financial instruments
6802 Other

Miscellaneous financial sales activities:

6811 Franchises, sales of
6812 Sale-leaseback, lessee
6813 Sale-leaseback, lessor

Services

7000 Hotels and other lodging places
7200 Personal services

Business services:

7310 Advertising
7312 Billboards
7340 Services to buildings
7370 Computer and data processing services
7374 Computer time sharing
7391 Research and experimental expenditures
7392 Management, consulting, and public relations services
7398 Other business services

Equipment and computer software leasing:

7401 Equipment leasing, except computer hardware and energy equipment, 5 years or less
7402 Equipment leasing, except computer hardware and energy equipment, over 5 years
7403 Computer hardware leasing, 5 years or less
7404 Computer hardware leasing, over 5 years
7405 Energy equipment leasing, 5 years or less
7406 Energy equipment leasing, over 5 years
7407 Computer software leasing, 5 years or less
7408 Computer software leasing, over 5 years

Reproduction master leasing:

7451 Art works
7452 Books
7453 Records
7454 Stamps
7455 Tapes, audio
7456 Tapes, video

7500 Automotive repair and services
7600 Miscellaneous repair services

Motion picture:

7812 Motion picture and video tape production, distribution, and services
7830 Motion picture theaters

Amusement and recreation services:

7920 Producers, orchestras, and entertainers
7941 Professional sports clubs and promoters
7949 Racing, horse and dog
7980 Other amusement and recreation services

Medical and health services:

8050 Nursing and personal care facilities
8060 Hospitals
8071 Medical laboratories
8072 Dental laboratories
8099 Other medical and health services

Blind pools:

9900 All types of blind pools

Form **8271**
(Rev. November 1987)
Department of the Treasury
Internal Revenue Service

Investor Reporting of Tax Shelter Registration Number

► Attach to your tax return
► If you received this form from a partnership, S corporation, or trust, see the instructions.

OMB No. 1545-0881
Expires 9-30-90
Attachment Sequence No. 71

Investor's name(s) as shown on return	Investor's taxpayer identification number	Investor's tax year ending

Part I Tax Shelter Information

	a. Tax Shelter Name	b. Tax Shelter Registration Number (11-digit number)	c. Tax Shelter Taxpayer Identification Number	d. Type of Tax Shelter (see list in instructions)
1				
2				
3				
4				
5				

Part II Tax Shelter Benefits Claimed or Reported By Investor on Return to Which This Form 8271 Is Attached

Note: *If you received any Schedules K-1 for these benefits, see the specific instructions for Part II on page 2.*

	a. Gross Income, Gross Profits, and Gains	b. Deductions and Losses	c. Credits	d. Forms and Schedules Where Benefits Are Claimed or Reported
1				
2				
3				
4				
5				

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Use Form 8271 to report the tax shelter registration number the IRS assigns to certain tax shelters required to be registered under section 6111 of the Internal Revenue Code ("registration-required tax shelters") and to report other information about the tax shelter and its benefits. The tax shelter registration number and the other information must be reported, even if the particular interest is producing net income to the filer of Form 8271 (but see *Projected Income Investments* below). Use additional forms to report more than five tax shelter registration numbers.

Note: *Investors are reminded that a tax shelter registration number does not indicate that the tax shelter or its claimed tax benefits have been reviewed, examined, or approved by the IRS.*

Who Must File.—Any person claiming or reporting any deduction, loss, credit, or other tax benefit, or reporting any income on any tax return from an interest purchased or otherwise acquired in a registration-required tax shelter must file Form 8271. (If you are an investor in a partnership or an S corporation, look at item F, Schedule K-1 (Form 1065), or item C, Schedule K-1 (Form 1120S). If a tax shelter registration number or the words "Applied For" appear there, then the entity is a registration-required tax shelter.) If the interest is purchased or otherwise acquired by a pass-through entity, both the pass-through entity and its partners, shareholders, or beneficiaries must file Form 8271.

A pass-through entity that is the registration-required tax shelter does not have to prepare Form 8271 and give a copy to its partners, shareholders, or beneficiaries unless the pass-through entity itself has invested in a registration-required tax shelter.

Note: *Even if you have an interest in a registration-required tax shelter, you do not have to file Form 8271 if you did not claim or report any deduction, loss, credit, or other tax benefit, or report any income on your tax return from an interest in a registration-required tax shelter. This could occur, for example, if for a particular year you are unable to claim any portion of a loss because of the passive activity loss limitation, and that loss is your only tax shelter benefit.*

Projected Income Investments.—In certain cases, a tax shelter that does not expect to reduce the cumulative tax liability of any investor during the 5-year period ending after the date the investment is first offered for sale may be considered a "projected income investment." Such a tax shelter will not have to register, and thus not have to furnish a tax shelter registration number to investors, unless and until it ceases to be a projected income investment. It is possible, therefore, that you may not be furnished a tax shelter registration number, and not have to report it, for several years after you purchase or otherwise acquire your interest in the tax shelter. If you are subsequently furnished a tax shelter registration number because of a tax shelter that ceases to be a projected income investment, follow the instructions for Form 8271. However, you are required to file Form 8271 only for tax years ending on or after the date the tax shelter ceases to be a projected income investment.

Filing Form 8271.—Attach Form 8271, and any other required information, to any return, including applications for tentative refund (Forms 1045 and 1139), and amended returns (Forms 1040X and 1120X), on which a deduction, loss, credit, or other tax benefit is claimed or reported, or any income reported, from an interest in a registration-required tax shelter.

If you are a pass-through entity, you must provide your partners, shareholders, or beneficiaries with copies of the following documents (in addition to your Schedule K-1, which you normally provide): your Form 8271 (unless you are the registration-required tax shelter and have not invested in any other registration-required tax shelter); Forms 8271 provided to you by any other pass-through entity; and Schedules K-1 (for entities listed on the Forms 8271 that have been provided to you, or listed on your Form 8271).

If you received Schedules K-1 from tax shelters that are pass-through entities, or Forms 8271 and Schedules K-1 from pass-through entities that have invested in tax shelters, attach copies of those forms and schedules to this Form 8271. See the instructions for Part II.

Example 1. XYZ partnership is a registration-required tax shelter. It has not invested in any other registration-required tax shelter. A is a partner in XYZ. XYZ does not have to prepare a Form 8271 and give a copy to A. If A claims a deduction, loss, credit, or other tax benefit from XYZ (or reports any income from XYZ) on any return, A must prepare a Form 8271 and attach it to A's tax return, along with a copy of XYZ's Schedule K-1.

Example 2. DEF partnership is a registration-required tax shelter. DEF is a partner in GHI partnership, which is also a registration-required tax shelter (GHI has not invested in any other registration-required tax shelter). B is a partner in DEF. GHI must give a Schedule K-1 to DEF. DEF must prepare its own Form 8271 and give B a copy, along with DEF's Schedule K-1 and

a copy of GHI's Schedule K-1. If B claims a deduction, loss, credit, or other tax benefit from DEF (or reports any income from DEF) on any return, B must prepare a Form 8271 and attach it, copies of DEF's and GHI's Schedules K-1, and a copy of DEF's Form 8271 to B's tax return.

Obtaining the Tax Shelter Registration Number.— You must be furnished the tax shelter registration number at the time of your purchase or acquisition of an interest in a registration-required tax shelter or (if later) within 20 days after the seller or transferor receives the registration number. The seller or transferor of the interest in the tax shelter must furnish the tax shelter registration number to you in a written statement that also provides the other information needed to complete Part I, columns a, b, and c, of Form 8271.

If you acquired your interest in the tax shelter from a pass-through entity that has invested in a tax shelter, you may not have been furnished the written statement referred to above. However, the copy of its Form 8271 the pass-through entity is required to furnish you contains the information needed to complete Part I, columns a, b, and c, of your Form 8271.

Penalty.—A $250 penalty will be charged for each failure to include a tax shelter registration number on a return on which it is required to be included, unless the failure is due to reasonable cause.

Specific Instructions

Investor's Taxpayer Identification Number.—Enter the SSN or EIN shown on the return to which this Form 8271 is attached.

Investor's Tax Year Ending.—Enter the tax year ending for the return to which this Form 8271 is attached.

Part I, columns a, b, and c.—Enter the name, the 11-digit tax shelter registration number, and the taxpayer identification number of the tax shelter in the columns provided.

If you have been notified by the person from whom you purchased or otherwise acquired an interest in the tax shelter that a registration number has been applied for, but not yet received, enter "Applied for" in column b. Also put in column b the name of the person who has applied for registration of the tax shelter, and complete columns a and c. This notification must be in a written statement that will provide you with the information you need to complete Part I, columns a, b, and c. If you have not received any notification (other than in cases where you have acquired an interest in a pass-through entity that has invested in a tax shelter), enter "No notification" in column b and complete columns a and c to the extent you are able.

Part I, column d.—From the list on this page, enter the number for the most appropriate description for the type of tax shelter in which you have an interest.

Part II.—For any tax shelter interests (including an interest in a pass-through entity that has invested in a tax shelter) for which you have received a Schedule K-1 and (if applicable) Form 8271, leave Part II, columns a, b, and c blank and enter "See Schedule K-1 (Form 1065, 1120S, or 1041, whichever is applicable) attached" in column d. If the tax shelter is a Schedule C or Schedule F activity, see the specific instructions for Part II, columns a, b, and c, below. In column d, enter "See (Schedule C or F, whichever is applicable)."

If you are unable to use a particular benefit because of limitations (for example, the capital loss limitation or the limitation on passive activity losses and credits), and the unused portion is carried forward or carried back, report in columns b and c only the amount of the benefit claimed on this year's return. A Form 8271 will have to be filed for any carryforward or carryback year in which the unused benefit (or any portion of it) is claimed, and the amount claimed must be shown in columns b and c. This includes any carryforward losses claimed at the time of disposition of the tax shelter interest.

Part II, column a.—For a Schedule C activity, enter the amount on the line for "Gross income" on Schedule C. For a Schedule F activity, enter the amount on the appropriate "Gross income" line ("Gross profits" before 1985) on Schedule F, depending on whether you are on the cash or accrual basis. For other activities, other than for Schedule C or F activities, enter the total dollar amount of gross income, gross profits, or gains reported on your tax return that is attributable to the tax shelter. (Be sure to include amounts of gross income, gross profits, or gains attributable to a Schedule C or F activity that do not appear on the Schedule C or F itself (e.g., a gain reported on Form 4797).) Do not net gains against any deductions or losses attributable to the tax shelter.

Part II, column b.—For a Schedule C activity, enter the amount on the line for "Total deductions" on Schedule C. For a Schedule F activity, enter the amount on the line for "Total deductions" on Schedule F (for either the cash or accrual basis). For other activities, other than for Schedule C or F activities (e.g., commodity activities reported on Schedule D or charitable contributions from a contributions deduction tax shelter reported on Schedule A), show gross deductions and losses that you claimed or reported on your tax return that are attributable to the tax shelter. (Be sure to include gross deductions and losses attributable to a Schedule C or F activity that do not appear on the Schedule C or F itself (e.g., a loss reported on Schedule D).) Do not net deductions or losses against any gains attributable to the tax shelter.

Part II, column c.—For other than pass-through entities, enter the total dollar amount of credits that you claimed or reported on your tax return that are attributable to the tax shelter.

Part II, column d.—Enter only original source schedules and forms (for example, Schedule D) on which the deductions, losses, credits, etc., were listed, and not any form which summarizes this same information, such as Form 1040.

Type of Tax Shelter

1. Amusement and recreation services
2. Business services, billboards
3. Business services, computer time sharing
4. Business services, research and experimental expenditures
5. Business services, other
6. Communication services (e.g., cable TV)
7. Computer hardware leasing, 5 years or less
8. Computer hardware leasing, over 5 years
9. Computer software leasing, 5 years or less
10. Computer software leasing, over 5 years
11. Charitable contributions
12. Energy equipment leasing, 5 years or less
13. Energy equipment leasing, over 5 years
14. Equipment leasing, except computer hardware and energy equipment, 5 years or less
15. Equipment leasing, except computer hardware and energy equipment, over 5 years
16. Farming
17. Forestry and timber
18. Franchises, sales of
19. Horse breeding
20. Motels and lodging (hotels)
21. Investing, commodities
22. Investing, financial instruments
23. Investing, foreign currencies
24. Investing, options
25. Livestock breeding
26. Livestock feeding
27. Manufacturing
28. Medical and health services
29. Mining, coal
30. Mining, metal
31. Motion picture and videotape production, distribution, and services
32. Motion picture theaters
33. Oil and gas extraction
34. Patents
35. Real estate lessor, certified historic structure
36. Real estate lessor, commercial
37. Real estate lessor, low-income housing
38. Real estate lessor, residential
39. Real estate lessor, other than buildings
40. Real estate operators (except developers and lessors of buildings)
41. Real estate time sharing
42. Real estate, other
43. Reproduction master leasing, art works
44. Reproduction master leasing, books
45. Reproduction master leasing, records
46. Reproduction master leasing, stamps
47. Reproduction master leasing, tapes, audio
48. Reproduction master leasing, tapes, video
49. Retail trade
50. Sale-leaseback, lessee
51. Sale-leaseback, lessor
52. Security and commodity brokers, dealers, exchanges, and services
53. Straddles, trading instruments
54. Timber, other
55. Transportation, marine, gas, and sanitary services
56. Wholesale trade

Form **8283**
(Rev. August 1988)

Department of the Treasury
Internal Revenue Service

Noncash Charitable Contributions

► **Attach to your Federal income tax return if the total claimed deduction for all property contributed exceeds $500.**
► **See separate instructions.**

OMB No. 1545-0908
Expires 3-31-90

Attachment Sequence No. **55**

Name(s) as shown on your income tax return

Identification number

Note: *Compute the amount of your contribution deduction before completing Form 8283. (See your tax return instructions.)*

Section A Include in Section **A only** items (or groups of similar items) for which you claimed a deduction of $5,000 or less per item or group, and certain publicly traded securities (see Instructions).

Part I Information on Donated Property

1	(a) Name and address of the donee organization	(b) Description of donated property (attach a separate sheet if more space is needed)
A		
B		
C		
D		
E		

Note: *Columns (d), (e), and (f) do not have to be completed if the amount you claimed as a deduction for the item is $500 or less.*

	(c) Date of the contribution	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) Fair market value	(h) Method used to determine the fair market value
A						
B						
C						
D						
E						

Part II Other Information—Complete question 2 if you gave less than an entire interest in property listed in Part I. Complete question 3 if restrictions were attached to a contribution listed in Part I.

2 If less than the entire interest in the property is contributed during the year, complete the following.

(a) Enter letter from Part I which identifies the property _____. (Attach a separate statement if Part II applies to more than one property.)

(b) Total amount claimed as a deduction for the property listed in Part I for this tax year _____; for any prior tax year(s) _____

(c) Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above)

Charitable organization (donee) name

Number and street

City or town, state, and ZIP code

(d) The place where any tangible property is located or kept _____

(e) Name of any person, other than the donee organization, having actual possession of the property _____

3 If conditions were attached to any contribution listed in Part I, answer the following questions:	Yes	No
(a) Is there a restriction either temporarily or permanently on the donee's right to use or dispose of the donated property?		
(b) Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?		
(c) Is there a restriction limiting the donated property for a particular use?		

For Paperwork Reduction Act Notice, see separate Instructions.

Form **8283** (Rev. 8-88)

Name(s) as shown on your income tax return | Identification number

Section B Appraisal Summary—Include in Section B only items (or groups of similar items) for which you claimed a deduction of more than $5,000 per item or group. *(Report contributions of certain publicly traded securities only in Section A.)*

If you donated art, you may have to attach the complete appraisal. See the **Note** in Part II below.

Part I Donee Acknowledgment *(To be completed by the charitable organization.)*

1 This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Part II on _____ (Date)

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property (or any portion thereof) within two years after the date of receipt, it will file an information return (**Form 8282,** Donee Information Return) with the IRS and furnish the donor a copy of that return. This acknowledgment does not represent concurrence in the claimed fair market value.

Charitable organization (donee) name | Employer identification number

Number and street | City or town, state, and ZIP code

Authorized signature | Title | Date

Part II Information on Donated Property *(To be completed by the taxpayer and/or appraiser.)*

2 Check type of property:

☐ Art* (contribution of $20,000 or more) ☐ Real Estate ☐ Gems/Jewelry ☐ Stamp Collections
☐ Art* (contribution of less than $20,000) ☐ Coin Collections ☐ Books ☐ Other

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antique furniture, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects. **Note:** *If you donated art after December 31, 1987, and your total art contribution deduction was $20,000 or more, you must attach a complete copy of the signed appraisal and include an 8 x 10 inch color photograph (or a color transparency, no smaller than 4 x 5 inches).*

3	(a) Description of donated property (attach a separate sheet if more space is needed)	(b) If tangible property was donated, give a brief summary of the overall physical condition at the time of the gift	(c) Appraised fair market value
A			
B			
C			
D			

	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales after 6/6/88, enter amount received	See instructions (h) Amount claimed as a deduction	See instructions (i) Average trading price of securities
A						
B						
C						
D						

Part III Taxpayer (Donor) Statement—List any item(s) included in Section B, Part II, that is (are) separately identified in the appraisal as having a value of $500 or less. See instructions.

I declare that the following item(s) included in Part II above has (have) to the best of my knowledge and belief an appraised value of not more than $500 (per item). *(Enter identifying letter from Part II and describe the specific item.)* _____

Signature of taxpayer (donor) ▶ Date ▶

Part IV Certification of Appraiser *(To be completed by the appraiser of the above donated property.)*

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, married to, or related to any of the foregoing persons, or an appraiser regularly used by any of the foregoing persons and who does not perform a majority of appraisals during the taxable year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis, and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify the appraisal fees were not based upon a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this appraisal summary may subject me to the civil penalty under section 6701(a) (aiding and abetting the understatement of tax liability). I affirm that I have not been barred from presenting evidence or testimony by the Director of Practice.

Please Sign Here Signature ▶ Title ▶ Date of appraisal ▶

Business address | Identification number

City or town, state, and ZIP code

Department of the Treasury
Internal Revenue Service

Instructions for Form 8283

(Revised August 1988)

Noncash Charitable Contributions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

General Instructions

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	20 minutes
Learning about the law or the form	25 minutes
Preparing the form	35 minutes
Copying, assembling, and sending the form to IRS	35 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the address listed in the instructions of the tax return with which this form is filed.

Purpose

Use Form 8283 to report certain required information about noncash charitable contributions. Do not report on Form 8283 out-of-pocket expenses for volunteer work or amounts you gave by check or credit card. Treat these items as cash contributions.

Additional information

Do not use this form to figure your charitable deduction. For information on computing the amount of the charitable deduction, see your tax return instructions. You may also want to get **Pub. 526**, Charitable Contributions (for individuals), and **Pub. 561**, Determining the Value of Donated Property. If you contribute depreciable property, get **Pub. 544**, Sales and Other Dispositions of Assets.

Who Must File

You must file Form 8283 if the amount of your deduction for all noncash gifts is more than $500. (For this purpose, "amount of your deduction" means your deduction BEFORE applying any income limitations that could result in a carryover. The carryover rules are explained in Pub. 526.)

If you must complete Form 8283, you may need to complete Section A, Section B, or both, depending on the type of property and the amount claimed as a deduction. See **Which Sections To Complete.**

Form 8283 is filed only by:

- Individuals
- Partnerships
- S corporations
- Closely held corporations
- Personal service corporations
- Other C corporations

Note: *C corporations, other than personal service corporations and closely held corporations, must file Form 8283 only if the amount claimed as a deduction is over $5,000 and donated after June 6, 1988.*

Reductions to Fair Market Value (FMV).—Make any required reductions to FMV before you determine if you must file Form 8283. Attach a computation to your tax return showing the reduction. The amount of the reduction (if any) depends on whether the property is ordinary income property or capital gain property. See the FMV discussion below.

When To File

File Form 8283 with your tax return for the tax year you contribute the property and first claim a deduction.

Fair Market Value (FMV)

Although it is the amount of your deduction that may cause you to file Form 8283, you also need to have information about the value of your contribution to complete the form.

Fair market value (FMV) is the price a willing buyer would pay a willing seller when neither has to buy or sell, and both are aware of the sale conditions.

You may not always be able to deduct the FMV of your contribution. Depending on the type of property donated, you may have to reduce the FMV to get to the deductible amount, as explained below.

Ordinary income property is property that would result in ordinary income or short-term capital gain if it were sold on the date it was contributed. Examples of ordinary income property are inventory, works of art created by the donor, and capital assets held for 6 months or less (1 year or less if acquired after December 31, 1987). The deduction for a gift of ordinary income property is limited to the FMV less the amount that would be ordinary income if the property were sold at its FMV.

Capital gain property is property that would result in long-term capital gain if it were sold at its FMV on the date of contribution. It includes certain real property and depreciable property used in your trade or business, and generally held for more than 6 months (more than 1 year if acquired after December 31, 1987). You usually may deduct gifts of capital gain property at their FMV. However, you must reduce the FMV by the amount of the appreciation if:

- the capital gain property is contributed to certain private nonoperating foundations;
- you choose the 50% limit instead of the special 30% limit; or
- the contributed property is tangible personal property that is put to an unrelated use by the charity.

Qualified Conservation Contribution.—If your donation qualifies as a "qualified conservation contribution" under section 170(h), attach a statement that shows the claimed FMV of the underlying property before and after the gift and the conservation purpose furthered by the gift.

Which Sections To Complete

Section A

Include in Section A only items (or groups of similar items) for which you claimed a deduction of $5,000 or less

per item (or group of similar items). Also include certain publicly traded securities even if the deduction exceeds $5,000.

The publicly traded securities you should report in Section A even if the deduction claimed exceeds $5,000 are:

1. Securities listed on an exchange in which quotations are published daily;

2. Securities regularly traded in national or regional over-the-counter markets for which published quotations are available; or

3. Securities that are shares of a mutual fund for which quotations are published on a daily basis in a newspaper of general circulation throughout the United States.

Section B

Include in Section B only items (or groups of similar items) for which you claimed a deduction of more than $5,000 (except for certain publicly traded securities reportable in Section A).

Similar items of property are items of the same generic category or type, such as stamp collections, coin collections, lithographs, paintings, books, nonpublicly traded stock, land, or buildings.

Example. *You claimed a deduction of $400 for clothing, $7,000 for publicly traded securities (quotations published daily), and $6,000 for a collection of 15 books ($400 for each book). Report the clothing and the securities in Section A and the books (a group of similar items) in Section B.*

With certain exceptions, items reported in Section B will require information based on a written appraisal by a qualified appraiser.

Special Rule for Contributions of Inventory and Scientific Equipment by Certain C Corporations

A special rule applies for deductions taken by certain C corporations under section 170(e)(3) or (4) for contributions of inventory or scientific equipment. To determine if you must file Form 8283, or which section to complete, take into account only the amount claimed as a deduction in excess of the amount you would have deducted as cost of goods sold (COGS) had you sold the property instead. This rule is **only** for purposes of Form 8283. It does not change the amount or method of computing your contribution deduction.

You must attach a statement to your tax return (similar to the one in the example below) if the rule causes you not to have to file Form 8283. Also attach it if it causes you to be able to complete Section A instead of Section B.

Example. *You donated clothing from your inventory for the care of the needy. The clothing cost you $5,000 and your claimed charitable deduction is $8,000. Complete Section A instead of Section B since the excess of the deduction over what would have been your COGS deduction is $3,000 ($8,000 - $5,000). Attach a statement to Form 8283 similar to the following:*

Form 8283—Inventory

$8,000	contribution deduction
−$5,000	COGS (if sold, not donated)
=$3,000	for Form 8283 filing purposes

Specific Instructions

Identification Number

Donors who are individuals must enter their social security number. All other donors should enter their employer identification number.

Partnerships and S Corporations

A partnership (S corporation) that claims a contribution deduction of over $500 must file Form 8283 with Form 1065 (1120S). If the total deduction of any item or group of similar items exceeds $5,000, the partnership (S corporation) must complete Section B of Form 8283 even if the amount allocated to each partner (shareholder) does not exceed $5,000.

The partnership (S corporation) must give a completed copy of Form 8283 to each partner (shareholder) who receives an allocation of the contribution deduction shown on the partnership's (S corporation's) Section B.

Partners and Shareholders

The partnership (S corporation) will provide information about your share of the contribution on your Schedule K-1 (Form 1065 or Form 1120S).

In some cases, the partnership (S corporation) must give you a copy of the partnership's (S corporation's) Form 8283. In these cases, attach a copy of the Form 8283 you received to your tax return. Deduct the amount shown on your Schedule K-1, not the amount shown on the Form 8283.

If the partnership is not required to give you Form 8283, combine the amount of noncash contributions shown on Schedule K-1 with your noncash contributions to see if you must file. If you need to file Form 8283, you do not have to complete all the information requested in Section A for your share of the partnership (S corporation) contributions. Do not complete line 1, columns (a)–(f) and (h). Instead, write "From Schedule K-1 (Form 1065 or 1120S)" across columns (c)–(f). Enter your share of the contribution on line 1, column (g).

Section A

Part I, Information on Donated Property

Line 1

Column (b).—Describe the property in sufficient detail. The greater the value, the more detail is needed. For example, a car should be described in more detail than pots and pans.

For securities, include the following:

- name of the issuer,
- kind of security,
- whether it is regularly traded on a stock exchange or in an over-the-counter market, and
- whether it is a share of a mutual fund.

Note: *Columns (d), (e), and (f) do not have to be completed if the amount you claimed as a deduction for the item is $500 or less.*

Column (d).—Enter the approximate date you acquired the property. If it was created, produced, or manufactured by or for you, enter the date it was substantially completed.

Column (e).—State how you acquired the property, i.e., by purchase, gift, inheritance, or exchange.

Column (f).—Do not complete for:

- Publicly traded securities; or
- Property held 12 months or more (6 months or more if donated in tax years beginning after December 31, 1982, and before June 7, 1988).

Keep records on cost or other basis.

Note: *If you have reasonable cause for not providing the acquisition date in column (d), or the cost basis when required in column (f), attach an explanation.*

Column (g).—Enter the fair market value (FMV) of property on the date you gave it. If you were required to reduce the FMV of your deduction, or if you gave a qualified conservation contribution, you must attach a statement. FMV, reductions to FMV, and the type of statement you may have to attach are explained on page 1.

Column (h).—Enter the method(s) used to determine the FMV of your donation. FMV of used household goods and clothing is usually much lower than when new. For this reason, standard formulas or methods to value this kind of property are generally not appropriate.

A good measure of value might be the price that buyers of these used items actually pay in consignment or thrift shops.

Examples of entries to make include "Appraisal," "Thrift shop value" (for clothing or household goods), "Catalog" (for stamp or coin collections), or "Comparable sales" (for real estate and other kinds of assets). See Pub. 561.

Part II, Other Information

Attach a separate statement if Part II applies to more than one property. Give the required information for each property separately. Identify which property listed in Part I the information relates to.

Line 2

Complete lines 2(a)–2(e) only if you contributed less than the entire interest in the donated property during the tax year. Enter on line 2(b) the amount claimed as a deduction for this year and in any earlier tax years for gifts of a partial interest in the same property. If the organization that received the prior interest in the property is the same as the one listed on line 1, column (a), do not complete line 2(c).

Line 3

Complete lines 3(a)–3(c) only if you attached restrictions to the right to the income, use, or disposition of the donated property. Attach a statement explaining:

- The terms of any agreement or understanding regarding the restriction; and
- Whether the property is designated for a particular use.

An example of a "restricted use" is furniture that you gave only to be used in the reading room of an organization's library.

Section B

Part I, Donee Acknowledgment

The donee organization must complete Part I. Before submitting page 2 of Form 8283 to the donee for acknowledgment, complete at least your name, identification number, and description of the donated property (line 3, column (a)). If tangible property is donated, also describe its physical condition (line 3, column (b)) at the time of the gift. Complete the Taxpayer (Donor) Statement in Part III, if applicable, before submitting the form to the donee. See the instructions for Part III.

The person acknowledging the gift must be an official authorized to sign the tax returns of the organization, or a person specifically designated to sign Form 8283. After completing Part I, the organization must return Form 8283 to you, the donor. A copy of Section B of this form must be provided to the donee organization. You may then complete any remaining information required in Part II. Also, Part IV may be completed at this time by the qualified appraiser.

In rare and unusual circumstances, it may be impossible to get the donee's signature on the appraisal summary. The deduction will not be disallowed for that reason if you attach a detailed explanation why it was impossible.

Note: *If the donee (or a successor donee) organization disposes of the property within 2 years after the date the original donee received it, the organization must file* ***Form 8282****, Donee Information Return, with IRS and send a copy to the donor. An exception applies to items having a value of $500 or less if the donor identified the items and signed the statement in Part III (Section B) of Form 8283. See the instructions for Part III.*

Part II, Information on Donated Property

You must have a written appraisal from a qualified appraiser that supports the information in Part II. **Exception:** You do not need a written appraisal if the property is:

1. Nonpublicly traded stock of $10,000 or less;
2. Securities for which market quotations are readily available. See Regulations section 1.170A-13(c)(7)(xi); or
3. Property donated by C corporations (other than closely held corporations and personal service corporations) after June 6, 1988.

Use Part II to summarize your appraisal(s). Generally, you do not need to attach the appraisals, but you should keep them for your records. **Exception:** *If your total deduction for art is $20,000 or more, attach a complete copy of the signed appraisal and include an 8 × 10 inch color photograph (or a color transparency, no smaller than 4 × 5 inches).*

Appraisal Requirements

The appraisal must be made not earlier than 60 days before the date you contribute the property. You must receive it before the due date (including extensions) of the return on which you first claim it as a deduction. For a deduction first claimed on an amended return, the appraisal must be received before the date the amended return was filed.

A separate qualified appraisal and a separate Form 8283 are required for each item of property except for an item which is part of a group of similar items. Only one appraisal is required for a group of similar items contributed in the same tax year, if it includes all the required information for each item.

The appraiser may select any items whose aggregate value is appraised at $100 or less for which a group description rather than a specific description of each item will suffice.

If you gave similar items to more than one donee for which you claimed a deduction of more than $5,000, you must attach a separate form for each donee.

Example. *You claimed a deduction of $2,000 for books given to College A, $2,500 for books given to College B, and $900 for books given to a public library. You must attach a separate Form 8283 for each donee.*

See Regulations section 1.170A-13(c)(3)(i)–(ii) for the definition of a "qualified appraisal" and information to be included in the appraisal.

Line 3

Note: *You* ***must*** *complete at least column (a) of line 3 (also column (b) if applicable) before submitting Form 8283 to the donee. You may then complete the remaining columns.*

Column (a).—Describe the property in enough detail so that a person not familiar with it could tell that the property appraised is the property that was contributed.

Column (c).—Include the FMV from the appraisal. If one was not required, include the FMV you determine to be correct.

Columns (d–f).—If you have reasonable cause for not providing the information for any of these columns, attach an explanation so that your deduction won't be automatically disallowed.

Column (g).—A bargain sale is a transfer of property which is in part a sale or exchange, and in part a contribution. Enter the amount received ("consideration") for bargain sales after June 6, 1988.

Column (h).—Complete column (h) only if you were not required to get an appraisal, as explained earlier.

Column (i).—Complete column (i) only if you donated securities for which market quotations are considered to be readily available because the issue satisfies the 5 requirements described in Regulations section 1.170A-13(c)(7)(xi)(B).

Part III, Taxpayer (Donor) Statement

If you (the donor) complete Part III, the donee is relieved of filing Form 8282 for items valued at $500 or less. (See

the **Note** in Part I instructions of this section for more information on the filing of Form 8282 by the donee.)

Complete Part III only for items included in Part II that have an appraised value of $500 or less per item. Be sure to clearly identify these items in Part III. This is necessary because the donee may not know the value of the donated property, since you are not required to show it in Part II on the donee's copy of Form 8283.

The amount of information you give in Part III depends on the description of the donated property you enter in Part II. If you separately show a single item as "Property A" in Part II, and that item is appraised at $500 or less, then the entry "Property A" in Part III is enough. However, if "Property A" consists of several items and the total appraised value is [illegible] $500, list in Part III any item(s) you have that is (are) valued at $500 or less.

All shares of nonpublicly traded stock, or items in a set, are considered one item. For example, a book collection by the same author, components of a stereo system, or six place settings of a pattern of silverware are one item for the $500 test.

Example. *You donated books valued at $6,000. The appraisal states that one of the items, a collection of books by author "X" is worth $400. On the Form 8283 that you are required to give the donee, you decide not to show the appraised value of all of the books. But you also don't want the donee to have to file Form 8282 if the collection of books is sold. If on line 3 of Part II your description of Property A includes all the books, then specify in Part III the "collection of books by X included in Property A." But if in Part II your Property A description is "collection of books by X," the only required entry in Part III is "Property A."*

In the above example you may have instead chosen to give a completed copy of Form 8283 to the donee. The donee would then be aware of the value. If in Part II you include all the books as Property A, and thus enter $6,000 in column (c), you may still want to describe the specific collection in Part III so the donee can sell it without filing Form 8282.

Part IV, Certification of Appraiser

If you had to get an appraisal, the appraiser MUST complete Part IV to be considered qualified. See Regulations section 1.170A-13(c)(5) for a definition of a qualified appraiser.

Persons who cannot be qualified appraisers are listed in the Certification of Appraiser (Part IV) of Form 8283. Usually, a party to the transaction will not qualify to sign the certification. But a person who sold, exchanged, or gave the property to the donor may sign the certification if the property is donated within 2 months of the date the donor acquired it and the property's appraised value does not exceed its acquisition price.

An appraiser may not be considered qualified if the donor had knowledge of facts that would cause a reasonable person to expect the appraiser falsely to overstate the value of the property. An example of this is an agreement between you and the appraiser about the property value when you know that the agreed amount exceeds the actual FMV.

Usually, appraisal fees cannot be based on a percentage of the appraised value unless the fees were paid to certain not-for-profit associations. See Regulations section 1.170A-13(c)(6)(ii).

Failure To File Form 8283, Section B

If you donate property required to be reported in Section B and you fail to attach the form to your return, the deduction will be disallowed unless your failure was due to a good faith omission. If IRS asks you to submit the form, you have 90 days to send a completed Section B of Form 8283 before your deduction is disallowed.

Form **8300**
(Rev. August 1988)
Department of the Treasury
Internal Revenue Service

Report of Cash Payments Over $10,000 Received in a Trade or Business

▶ Please type or print.

OMB No. 1545-0892
Expires: 12-31-88

Part I Identity of Individual Conducting the Transaction

Last name		First name		M.I.	Social security number
Number and street		Passport number	Country	Alien registration number	Country
City	State	ZIP code	Country (if not U.S.)	Other identifying data (Specify)	

Part II Individual or Organization for Whom This Transaction Was Completed

Individual's last name		First name		M.I.	Social security number
Name of organization		Employer identification number		Passport number	Country
Number and street		Business or occupation		Alien registration number	Country
City	State	ZIP code	Country (if not U.S.)	Other identifying data (Specify)	

Part III Description of Transaction and Method of Payment

1 Amount of cash received . . $

2 Amount in item 1 in $100 bills . . . $

3 Nature of transaction

Description of property or service

a ☐ personal property purchased . . . . . .
b ☐ real property purchased . . . . . .
c ☐ personal services provided . . . . . .
d ☐ business services provided . . . . . .
e ☐ intangible property purchased . . . . . .
f ☐ debt obligation paid . . . . . .
g ☐ exchange of cash . . . . . .
h ☐ escrow or trust funds . . . . . .
i ☐ other (specify) ▶

4 Method of payment by customer:
a ☐ Paid with U.S. currency or coin
b ☐ Paid with foreign currency (describe) .....

5 Date paid

Part IV Business Reporting This Transaction

Name of reporting business			Identification number (EIN or SSN)
Street address			Nature of your business
City	State	ZIP code	

Under penalties of perjury, I declare that the information I have furnished above, to the best of my knowledge, is true, correct, and complete.

Sign Here ▶

(Authorized Signature — See Instructions) (Title) (Date)

For Paperwork Reduction Act Notice, see page 2.

Form **8300** (Rev. 8-88)

General Instructions

Paperwork Reduction Act Notice.— We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The estimated average time needed to complete this form, depending on individual circumstances, is 15 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project, Washington, DC 20503.

Who Must File.—Each person engaged in a trade or business who, in the course of such trade or business, receives more than $10,000 in cash in one transaction, or two or more related transactions, must file Form 8300. Any transactions conducted between a payer (or its agent) and the recipient in a 24-hour period are related transactions, and must be aggregated and reported as a single transaction if the total amount exceeds $10,000. For other transactions that may be related and special filing requirements for installment payments, see section 1.6050I-1 of the regulations.

Certain precious metals dealers, precious stones dealers, jewelry dealers, pawnbrokers, loan or finance companies, insurance companies and travel agencies must file Form 8300 when they have reportable cash transactions. To the extent that the Assistant Secretary of the Treasury (Enforcement and Operations) requires these financial institutions to file **Form 4789**, Currency Transaction Report, Form 8300 is not required to be filed for the same transaction(s).

Exceptions.—Financial institutions required to file IRS Form 4789 under Section 5312(a)(2)(A), (B), (C), (D), (E), (F), (G), (J), (K), (R), and (S) of Title 31, U.S.C., are excepted from filing Form 8300. These financial institutions include each agency, branch, or office in the United States of any person doing business in one or more of the capacities listed below:

(1) a bank (see *Definitions*);

(2) a broker or dealer in securities, registered or required to be registered with SEC under the Securities Exchange Act of 1934;

(3) a person who engages as a business in dealing in or exchanging currency (for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks);

(4) a person who engages as a business issuing, selling, or redeeming traveler's checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;

(5) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

Transactions entirely occurring outside the United States are excepted from these reporting requirements, except as provided in section 1.6050I-1(d)(4) of the regulations. The United States includes the 50 states and the District of Columbia.

When and Where To File.—File this form by the 15th day after the date of the transaction with the Internal Revenue Service Data Center, P.O. Box 32621, Detroit, MI 48232 ATTN: RCP or hand carry it to your local IRS office. Keep a copy of each Form 8300 for 5 years from the date you file it.

Identifying Number.—For individuals this is the social security number. For others it is the Federal employer identification number (EIN), which has 9 digits. For aliens or other non-U.S. individuals, use the passport number or alien registration number and indicate the country.

Penalties.—Civil and criminal penalties are provided for failure to file a report or to supply information, and for filing a false or fraudulent report.

Statement To Be Provided.—A written statement must be provided to each person named in this form. The statement must be provided on or before January 31 of the year following the calendar year in which this report is made. The statement must show the name and address of the business receiving the cash and the total amount of cash received during the year from the payer and that the information is being furnished to the IRS. Keep a copy for your records. A copy of the Form 8300 that was filed with the Internal Revenue Service may be used as the statement if the payer had a single transaction for the year.

Specific Instructions

Part I

This part must always be completed. If the individual conducts the transaction for another person, be sure to complete Part II also.

In the address section, enter the permanent street address of the individual conducting the transaction.

In the social security block, enter the social security number of the individual conducting the transaction. If the individual has no number, write "None" in this block.

If the individual is an alien or foreign national, enter the alien registration number or passport number and country or other official documents evidencing nationality or residence in the boxes provided.

Complete the "Other identifying data" box for individuals other than aliens and foreign nationals. Other identifying information includes documents normally acceptable as a means of identification when cashing checks (e.g., a driver's license or credit card number may be entered in the "Other identifying data" box provided).

Part II

If the individual in Part I is conducting the transaction for himself or herself, do not complete Part II. In all other cases, complete Part II.

For individuals, enter last name, first name, middle initial, if any, and street address in the boxes provided. For other than an individual, enter the complete organization name, address, and employer identification number in the boxes provided.

In the social security block, enter the social security number of the individual for whom the transaction was completed. If the individual has no number, write "None" in this block.

If the individual is an alien or foreign national, enter the alien registration number or passport number and country or other official documents evidencing nationality or residence in the boxes provided.

Complete the "Other identifying data" box for individuals other than aliens and foreign nationals. Other identifying information includes documents normally acceptable as a means of identification when cashing checks (e.g., a driver's license or credit card number may be entered in the "Other identifying data" box provided).

Part III

Enter in item 2 the amount of U.S. currency included in item 1 that is in $100 bills or higher. (For example, if the amount in item 1 is $30,000, and $25,000 of it was paid in $100 bills, enter $25,000 in item 2.)

Check the applicable boxes that describe the nature of the transaction. Briefly describe the kind of property or service for which the customer paid cash.

If the aggregate amount of cash received in two or more installment payments exceeds $10,000, the date entered in item 5 should be the date the payment is made that causes the aggregate amount of cash to exceed $10,000.

Part IV

Signature.—This report must be signed by an authorized individual. Also type or print the name of the authorized signer below the signature.

Definitions

Bank.—Each agent, agency, branch, or office in the United States of a foreign bank and each agency, branch, or office in the United States of any person doing business in one or more of the capacities listed below.

(1) a commercial bank or trust company organized under the laws of any state or of the United States;

(2) a private bank;

(3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States;

(4) an insured institution as defined in section 401 of the National Housing Act;

(5) a savings bank, industrial bank, or other thrift institution;

(6) a credit union organized under the laws of any state or of the United States; and

(7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

Person.—An individual, corporation, partnership, trust or estate, joint stock company, association, syndicate, joint venture, or other unincorporated organization or group, and all entities treated as legal personalities, including organizations that are exempt from tax.

Cash.—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes, and Federal Reserve notes, but does not include bank checks, traveler's checks, or other negotiable or monetary instruments not customarily accepted as money.

Transaction in Cash.—A transaction involving the physical receipt of cash from a person. A transaction in cash does not include a receipt of funds by means of bank check, bank draft, wire transfer, or other written order that does not include the physical transfer of cash.

Transaction.—The purchase of goods, services, personal or real property, and intangible property by a customer; a debt obligation paid for with cash; the receipt and conversion of cash to a negotiable instrument (for instance, a receipt of cash from a person in exchange for a check); and the receipt of cash to be held in escrow or trust.

Form **8332**
(Rev. December 1987)
Department of the Treasury
Internal Revenue Service

Release of Claim to Exemption for Child of Divorced or Separated Parents

► **Attach to Tax Return of Parent Claiming Exemption**

OMB No. 1545-0915
Expires 10-31-90

Attachment Sequence No. **51**

Name(s) of parent claiming exemption as shown on tax return | Social security number

Part I Release of Claim to Exemption for Current Year

I agree not to claim an exemption for _____
Name(s) of child (or children)

for the calendar year 19____

_____ _____ _____
Signature of parent releasing claim to exemption | Social security number | Date

If you choose not to claim an exemption for this child (or children) for future tax years, complete Part II, as explained in the instructions below.

Part II Release of Claim to Exemption for Future Years

I agree not to claim an exemption for _____
Name(s) of child (or children)

for tax year(s) _____
(Specify. See instructions.)

_____ _____ _____
Signature of parent releasing claim to exemption | Social security number | Date

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—This form may be used to release the claim to a child's exemption by a parent who has custody of his or her child and might have been entitled to claim the exemption for this child. This form is completed by the parent who has custody of the child and is given to the parent who will claim the exemption. The parent who will claim the child's exemption must attach this form, or a similar statement, to his or her tax return. See **How To File Form 8332**, below.

Exemption for Child of Divorced or Separated Parents.—In general, the parent who has custody of the child (or children) for the greater part of the year is treated as having provided over half of the child's support for purposes of the dependency exemption for the child if:

1. The child receives over half of his or her support from both of the parents; **AND**

2. The child was in the custody of one or both of his or her parents for more than half of the year.

This general rule applies to parents who are divorced or legally separated under a decree of divorce or separate maintenance, separated under a written separation agreement, or who lived apart at all times during the last 6 months of the calendar year.

This general rule does not apply if **any** of the following apply:

(a) The parent having custody signs a written statement agreeing not to claim the child's exemption and the parent not having custody attaches this statement to his or her tax return for the tax year. (See **Parent Who Releases Claim to Exemption**, below.)

(b) The child is treated as having received over half of his or her support from a person under a multiple support agreement (**Form 2120**, Multiple Support Declaration).

(c) A qualified divorce decree or written agreement was in effect before January 1, 1985, and provides that the noncustodial parent can claim the exemption for the child, and the noncustodial parent provides at least $600 for the support of the child during the year.

Note: *If items (b) or (c) above do not apply, the noncustodial parent must attach a completed Form 8332, or similar statement, to his or her tax return for each year in which the noncustodial parent claims the child's exemption.*

Parent Who Releases Claim to Exemption.—A parent who might be entitled to claim the child's (or children's) exemption because of having custody of the child for a greater part of the calendar year may agree to release claim to the child's exemption for the current calendar year or for future years, or both. The release can be made by completing Form 8332 or a similar statement.

Part I should be completed by the parent who chooses to release claim to the child's (or children's) exemption for the current calendar year.

Part II should be completed by the parent who chooses to release claim to the child's (or children's) exemption for a specified number of future years, or for all future years. If the parent is releasing claim for all future years, "all future years" should be written in the space provided for in Part II.

How To File Form 8332.—The noncustodial parent must attach Form 8332, or a similar statement, to his or her tax return for the tax year in which the noncustodial parent claims the child's exemption. If the parent having custody of the child completes Part II of Form 8332, the noncustodial parent must attach a copy of this form to his or her tax return for each succeeding year in which the noncustodial parent claims the exemption.

The parent who receives the release of claim to the child's exemption may claim the exemption **only** if the other tests in the Form 1040 or 1040A Instructions for dependency exemptions are met.

For more information, get **Publication 504**, Tax Information for Divorced or Separated Individuals.

Form **8606**

Department of the Treasury
Internal Revenue Service (L)

Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

▶ **Please see Recordkeeping Requirements on back.**
▶ **Attach to Form 1040, Form 1040A, or Form 1040NR.**

OMB No. 1545-1007

1988

Attachment Sequence No. **86**

Name (If married, file a separate Form 8606 for each spouse. See instructions.) | **Your social security number**

Fill In Your Address Only If You Are Not Filing a Tax Return

Present home address (number and street) (or P.O. Box number if mail is not delivered to street address)

City, town or post office, state, and ZIP code

			Value on 12/31/88
1	Enter name of trustee and value of all your IRAs (attach list if more than three)— Name of trustee (bank, credit union, mutual fund, etc.)		
a		1a	
b		1b	
c		1c	
2	Total value of all IRAs. Add lines 1a through 1c	2	
3	Enter the basis in your IRA(s) as of 12/31/87. This is the amount shown on line 13 of your **1987** Form 8606	3	
4	Enter your nondeductible IRA contributions for 1987 that were made during 1/1/88–4/15/88. This is the amount shown on line 4 of your **1987** Form 8606	4	
5	Enter your IRA contributions for 1988 that you choose to be nondeductible. (Include those made during 1/1/89–4/17/89 that were for 1988.) (See instructions.)	5	
6	Add lines 3, 4, and 5 and enter the total	6	
7	Enter only those contributions included on line 5 that were made during 1/1/89–4/17/89. (This amount may be the same as line 5 if all of your nondeductible contributions for 1988 were made in 1989 by 4/17/89.) (See instructions.)	7	
8	Subtract line 7 from line 6 and enter the result	8	
9	Adjustments. (See instructions.)	9	
10	Combine lines 8 and 9 and enter the result. If you did not receive any IRA distributions (withdrawals) in 1988, skip lines 11 through 15 and enter the amount (or zero, if applicable) from line 10 on line 16	10	
11	Enter the value of all your IRAs as of 12/31/88 (from line 2). Include any outstanding rollovers. (See instructions.)	11	
12	Enter total IRA distributions received during 1988. Do not include amounts rolled over before 1/1/89. (See instructions.)	12	
13	Add lines 11 and 12 and enter the total	13	
14	Divide line 10 by line 13 and enter the result as a decimal (to at least two places)	14	.
15	Multiply line 12 by the decimal amount on line 14 and enter the result. This is the amount of your nontaxable distributions for 1988. (See instructions.)	▶ 15	
16	Subtract line 15 from line 10 and enter the result. This is the basis in your IRA(s) as of 12/31/88	▶ 16	

Sign Here Only If You Are Not Filing a Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

▶ Your signature | ▶ Date

General Instructions

Note: *If you made a nondeductible contribution in 1987, do not fill out this form unless you meet one of the requirements under* ***Who Must File.***

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	26 minutes
Learning about the law or the form	7 minutes
Preparing the form	28 minutes
Copying, assembling, and sending the form to IRS	20 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose of Form.—You must use Form 8606 to report the amount of your IRA contributions that you choose to be nondeductible. You may wish to make nondeductible contributions, for example, if all or part of your contributions are not deductible because of the income limitations for IRAs. First, figure the amount of your deductible contributions using the Instructions for Form 1040 or Form 1040A, whichever applies to you. Then enter on line 5 of Form 8606 the amount you choose to be nondeductible.

The part of any distributions you receive attributable to nondeductible contributions will not be taxable. If you made nondeductible contributions in 1987 or 1988, also use Form 8606 to figure the nontaxable portion of any IRA distributions you receive. If you received any distributions in 1988, line 15 will show the amount that is not taxable.

Who Must File.—You must file Form 8606 for 1988 if:

- You made nondeductible contributions to your IRA during 1988 for 1987 or 1988, or

- You made nondeductible contributions to your IRA during 1989 for 1988, or
- You received IRA distributions in 1988 and you made nondeductible contributions to your IRA.

If you and your spouse each choose to make nondeductible IRA contributions, you each must file a Form 8606.

Report your deductible contributions on Form 1040, Form 1040A, or Form 1040NR but not on Form 8606.

When and Where To File.—Attach Form 8606 to your 1988 Form 1040, Form 1040A, or Form 1040NR.

If you are required to complete Form 8606, but you do not have to file an income tax return because you do not meet the requirements for filing a return, you still have to file a Form 8606 with the Internal Revenue Service at the time and place you would normally be required to file Form 1040, Form 1040A, or Form 1040NR.

Name and Social Security Number.—Enter your name and social security number on Form 8606.

Note: *If you file a joint return on Form 1040 or Form 1040A, show the name and social security number of the spouse whose IRA information is shown.*

Recordkeeping Requirements.—To be able to verify the nontaxable part of distributions from your IRA, keep a copy of this form together with copies of the following forms and records until all distributions are made from your IRA(s).

- Forms 1040 (or Forms 1040A or Forms 1040NR) filed for each year you make a nondeductible contribution;
- Forms 5498 or similar statements received each year showing contributions you made;
- Forms 5498 or similar statements you received showing the value of your IRA(s) for each year you received a distribution; and
- Forms 1099-R and W-2P received for each year you received a distribution.

Additional Information.—For more information on nondeductible contributions, get **Pub. 590**, Individual Retirement Arrangements (IRAs).

Penalty for Overstatement.—If you overstate your nondeductible contributions on this form for any tax year, you must pay a penalty of $100 for each overstatement, unless it was due to reasonable cause.

Specific Instructions

Line 1.—Separately list all of your IRAs and their values at the end of the year, regardless of whether you make deductible or nondeductible contributions to them. For married couples, each spouse must list his or her own IRA(s) on a separate Form 8606.

If you have more than three IRAs, list them on a separate attachment and follow the format of line 1. Include on line 2 the total value of all of your IRAs.

You should receive a statement by January 31, 1989, for each IRA account showing the value on December 31, 1988.

Line 5—Covered by a Retirement Plan at Work.—If you were covered by a retirement plan at work and used Worksheet 2 in the instructions for Form 1040 or Form 1040A, you should enter on line 5 of Form 8606 any nondeductible contributions shown on line 10 of the worksheet in the Form 1040 Instructions or line 8 of the Form 1040A Instructions. If you made any nondeductible contributions to an IRA for your nonworking spouse, you should complete a separate Form 8606 for your spouse and enter on line 5 of your spouse's Form 8606 any nondeductible contributions for your nonworking spouse from the appropriate lines of Worksheet 2.

If you were covered by a retirement plan at work but you used Worksheet 1 because your income was $25,000 or less ($40,000 or less if you are married filing a joint return or a qualifying widow(er)), follow the instructions below under "Not Covered by a Retirement Plan at Work."

You may also choose to treat any part of deductible contributions as nondeductible. To do this, include on line 5 of Form 8606 any deductible contributions that you are treating as nondeductible.

Note: *You cannot take a deduction for any part of the deductible contributions you are treating as nondeductible.*

If none of your contributions are deductible and you did not use Worksheet 1 or 2 in the Form 1040 or 1040A Instructions, you may still choose to make a nondeductible contribution up to a maximum of $2,000 (but not more than your earned income). Enter the amount of your contributions that you are treating as nondeductible on line 5 of Form 8606.

If contributions were also made to an IRA for your nonworking spouse and none of the contributions are deductible, you may still make nondeductible contributions up to a maximum of $2,250 (but not more than your earned income). Enter on line 5 of your Form 8606 the total nondeductible contributions that you are making to your IRA. Enter the balance on line 5 of your nonworking spouse's Form 8606. You cannot contribute more than $2,000 to either your or your spouse's IRA. Also, the total of the two amounts cannot be more than $2,250 and not more than your earned income.

Not Covered by a Retirement Plan at Work.—If you were not covered by a retirement plan at work or were covered but had income of $25,000 or less ($40,000 or less if married filing a joint return or a qualifying widow(er)), complete Worksheet 1 in the instructions for Form 1040 or Form 1040A. The amount shown on line 3 of the worksheet is the amount of your contributions that you may deduct. However, you may choose to make all or part of that amount nondeductible. Enter on line 5 of your Form 8606 the difference between the amount you are deducting and the amount shown on line 3 of Worksheet 1.

If contributions were made to an IRA for your nonworking spouse, the amount shown on line 8 of Worksheet 1 is the amount of the allowable deduction for your nonworking spouse's IRA. However, you can treat all or part of that amount as nondeductible. Enter on line 5 of your nonworking spouse's Form 8606 the difference between the amount that is deducted for your nonworking spouse and the amount on line 8 of Worksheet 1.

Line 7.—If you made contributions both in 1988 and 1989 that are for 1988, you may choose to apply the contributions made in 1988 first to nondeductible contributions and then to deductible contributions, or vice versa. However, you may not apply to nondeductible contributions more than the amount actually made in 1988.

For example, assume you make contributions of $1,000 in 1988, and $1,000 in 1989. Assume further that $1,500 of your contributions are deductible and $500 are nondeductible. You choose $500 of your contribution in 1988 to be nondeductible. In this case, the $500 would be entered on line 5 instead of line 7 and would become part of your basis for 1988. Otherwise, the amount would be entered on line 7.

Line 8.—Although the 1988 IRA contributions you made during 1/1/89–4/17/89 (line 7) can be treated as nondeductible (for purposes of line 5), these amounts are not included in your basis for 1988. This is the reason you subtract the amount on line 7 from the amount on line 6. The amount on line 7 will be included in basis on your 1989 Form 8606.

Line 9.—Use this line if you wish to change a nondeductible contribution made on a prior year's return to a deductible contribution, or vice versa. For example, if you were eligible to deduct your IRA contributions for 1988 but you chose to treat them as nondeductible when you filed your 1988 tax return, you can at a later date change the designation to a deductible contribution by filing an amended tax return on **Form 1040X**, Amended U.S. Individual Income Tax Return, and show the change in designation on line 9 of Form 8606.

Line 11.—Enter the total value of all your IRAs as of 12/31/88 from line 2. Include any outstanding rollovers. A **rollover** is a tax-free distribution from one IRA which is then contributed to another IRA. The rollover contribution must be made within 60 days of receiving the distribution from the first IRA. An **outstanding rollover** is any amount distributed to you from one IRA within 60 days of the end of 1988 (between November 2 and December 31) that you did not roll over to another IRA by 12/31/88, but that you roll over to another IRA in 1989 within the normal 60-day rollover period.

Line 12.—Do not include any distributions that were: (1) received in 1988 that you rolled over to another IRA by 12/31/88, (2) outstanding rollovers included on line 11, (3) contributions under Internal Revenue Code section 408(d)(4) that were returned to you before the due date of the return, or (4) excess contributions made under Internal Revenue Code section 408(d)(5).

Line 15.—The amount shown on this line is your nontaxable IRA distribution for 1988. Subtract this amount from your total distributions shown on line 12. The difference is your taxable distributions to be reported on Form 1040, line 16b.

Line 16.—This is the basis in your IRA as of 12/31/88. This amount will be used on Form 8606 in future years if you make nondeductible IRA contributions or receive distributions in those years.

Form **8615**

Department of the Treasury
Internal Revenue Service

Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than $1,000

▶ **See Instructions below and on back.**

▶ **Attach ONLY to the Child's Form 1040, Form 1040A, or Form 1040NR.**

OMB No. 1545-0998

1988

Attachment Sequence No. **33**

General Instructions

Purpose of Form. For children under age 14, investment income (such as taxable interest and dividends) over $1,000 is taxed at the parent's rate if the parent's rate is higher than the child's rate.

Do not use this form if the child's investment income is $1,000 or less. Instead, figure the tax in the normal manner on the child's income tax return. For example, if the child had $900 of taxable interest income and $200 of income from wages, Form 8615 is not required to be completed and the child's tax should be figured on Form 1040A using the Tax Table.

If the child's investment income is more than $1,000, use this form to see if any of the child's investment income is taxed at the parent's rate and, if so, to figure the child's tax. For example, if the child had $1,100 of taxable interest income and $200 of income from wages, Form 8615 should be completed and attached to the child's Form 1040A.

Investment Income. As used on this form, "investment income" includes all taxable income other than earned income as defined on page 2. It includes income such as taxable interest, dividends, capital gains, rents, royalties, etc. It also includes pension and annuity income and income (other than earned income) received as the beneficiary of a trust.

Who Must File. Generally, Form 8615 must be filed for any child who was under age 14 on January 1, 1989, and who had more than $1,000 of investment income. If neither parent was alive on December 31, 1988 do not use Form 8615. Instead, figure the child's tax based on his or her own rate.

Additional Information. For more information about the tax on investment income of children, please get **Pub. 929**, Tax Rules for Children and Dependents.

(Instructions continue on back.)

Child's name as shown on return | **Child's social security number**

Parent's name (first, initial, and last). (**Caution:** See instructions on back before completing.) | **Parent's social security number**

Parent's filing status (check one): ☐ Single, ☐ Married filing jointly, ☐ Married filing separately, ☐ Head of household, or ☐ Qualifying widow(er)

Enter number of exemptions claimed on parent's return ▶

Step 1 Figure child's net investment income

1	Enter the child's investment income, such as taxable interest and dividend income (see Instructions). (If this amount is $1,000 or less, stop here; do not file this form.)	1	
2	If the child DID NOT itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter $1,000. If the child ITEMIZED deductions, see the Instructions	2	
3	Subtract the amount on line 2 from the amount on line 1. Enter the result. (If zero or less, stop here; do not complete the rest of this form but ATTACH it to the child's return.)	3	
4	Enter the child's **taxable** income (from Form 1040, line 37; Form 1040A, line 19; or Form 1040NR, line 36)	4	
5	Compare the amounts on lines 3 and 4. Enter the **smaller** of the two amounts ▶	5	

Step 2 Figure tentative tax based on the tax rate of the parent listed above

6	Enter the parent's **taxable** income (from Form 1040, line 37; Form 1040A, line 19; Form 1040EZ, line 7; or Form 1040NR, line 36)	6	
7	Enter the total, if any, of the net investment income from Forms 8615, line 5, of ALL OTHER children of the parent. (Do not include the amount on line 5 above.)	7	
8	Add the amounts on lines 5, 6, and 7. Enter the total	8	
9	Tax on the amount on line 8 based on the **parent's** filing status (see Instructions). Check if from ☐ Tax Table or ☐ Tax Rate Schedules	9	
10	Enter the parent's tax (from Form 1040, line 38; Form 1040A, line 20; Form 1040EZ, line 9; or Form 1040NR, line 37). Check if from ☐ Tax Table or ☐ Tax Rate Schedules	10	
11	Subtract the amount on line 10 from the amount on line 9. Enter the result. (If no amount is entered on line 7, enter the amount from line 11 on line 13; skip lines 12a and 12b.)	11	
12a	Add the amounts on lines 5 and 7. Enter the total — 12a		
b	Divide the amount on line 5 by the amount on line 12a. Enter the result as a decimal (rounded to two places)	12b	×
13	Multiply the amount on line 11 by the decimal amount on line 12b. Enter the result ▶	13	

Step 3 Figure child's tax

Note: *If the amounts on lines 4 and 5 are the same, skip to line 16.*

14	Subtract the amount on line 5 from the amount on line 4. Enter the result — 14		
15	Tax on the amount on line 14 based on the **child's** filing status (see Instructions). Check if from ☐ Tax Table or ☐ Tax Rate Schedule X	15	
16	Add the amounts on lines 13 and 15. Enter the total	16	
17	Tax on the amount on line 4 based on the **child's** filing status. Check if from ☐ Tax Table or ☐ Tax Rate Schedule X	17	
18	Compare the amounts on lines 16 and 17. Enter the **larger** of the two amounts here and on Form 1040, line 38; Form 1040A, line 20; or Form 1040NR, line 37. Be sure to check the box for "Form 8615" ▶	18	

Paperwork Reduction Act Notice. We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information. The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	7 minutes
Learning about the law or the form	4 minutes
Preparing the form	34 minutes
Copying, assembling, and sending the form to IRS	17 minutes

If you have comments regarding the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Line-by-Line Instructions

We have provided specific instructions for most of the lines on the form. Those lines that do not appear in these instructions are self-explanatory.

Parent's Name and Social Security Number. If the child's parents were married to each other and filed a joint return, enter the name and social security number of the parent who is listed first on the joint return. For example, if the father's name is listed first on the return and his social security number is entered in the block labeled "Your social security number," enter his name and social security number in the spaces provided on Form 8615.

If the parents were married but filed separate returns, enter the name and social security number of the parent who had the **higher** taxable income. If you do not know which parent had the higher taxable income, see Pub. 929.

If the parents were unmarried, treated as unmarried for Federal income tax purposes, or separated either by a divorce or separate maintenance decree, enter the name and social security number of the parent who had custody of the child for most of the year (the custodial parent). **Exception.** If the custodial parent remarried and filed a joint return with his or her spouse, enter the name and social security number of the individual who is listed first on the joint return even if that individual is not the child's parent.

Line 1. If the child had no earned income (defined later), enter the child's adjusted gross income (from Form 1040, line 31; Form 1040A, line 13; or Form 1040NR, line 31).

If the child had earned income, use the following worksheet to figure the amount to enter on line 1. However, if any of the following applies, use the worksheet in Pub. 929 instead of the one below to figure the amount to enter on Form 8615, line 1.

- The child files **Form 2555,** Foreign Earned Income.
- The child had a net loss from self-employment.
- The child claims a net operating loss deduction.

Worksheet (keep for your records)

1. Enter the amount from the child's Form 1040, line 23; Form 1040A, line 11; or Form 1040NR, line 23, whichever applies	
2. Enter the child's earned income (defined below) plus any deduction the child claims on Form 1040, line 28; or Form 1040NR, line 28, whichever applies	
3. Subtract the amount on line 2 from the amount on line 1. Enter the result here and on Form 8615, line 1	

Earned income includes wages, tips, and other payments received for personal services performed. Generally, earned income is the total of the amount(s) reported on Form 1040, lines 7, 12, and 19; Form 1040A, line 7; or Form 1040NR, lines 8, 13, and 20.

Line 2. If the child itemized deductions on **Schedule A** (Form 1040 or Form 1040NR), enter on line 2 the **greater** of:

- $500 plus the portion of the amount on Schedule A (Form 1040), line 26 (or Schedule A (Form 1040NR), line 10), that is directly connected with the production of the investment income on Form 8615, line 1; OR
- $1,000.

Line 6. Enter the taxable income shown on the tax return of the parent identified at the top of Form 8615. If the parent's taxable income is less than zero, enter zero on line 6.

If the parent filed a joint return, enter the total taxable income shown on that return even if the parent's spouse is not the child's parent.

Line 7. If the individual identified as the parent on this Form 8615 is also identified as the parent on any other Form 8615, add the amounts, if any, from line 5 on each of the other Forms 8615 and enter the total on line 7.

Line 9. Figure the tax on the amount on line 8 using the Tax Table or Tax Rate Schedules, whichever applies.

Line 10. Enter the tax shown on the tax return of the parent identified at the top of Form 8615. If the parent filed a joint return, enter the tax shown on that return even if the parent's spouse is not the child's parent.

Line 15. Figure the tax on the amount on line 14 using the Tax Table or Tax Rate Schedule X, whichever applies.

Line 17. Figure the tax on the child's taxable income as if these rules did not apply.

Line 18. Compare the amounts on lines 16 and 17 and enter the **larger** of the two amounts on line 18. Be sure to check the box for "Form 8615" on the appropriate line of the child's tax return even if the amount on line 17 is the larger of the two amounts.

Incomplete Information for Parent. If a parent or guardian of a child cannot obtain the necessary information to complete Form 8615 before the due date of the child's return, reasonable estimates of the parent's taxable income or filing status and the net investment income of other children may be made. The appropriate line of Form 8615 must be marked "Estimated." For more information, see Pub. 929, Tax Rules for Children and Dependents.

Amended Return. If after the child's return is filed the parent's taxable income is changed or the net investment income of any of the parent's other children is changed, the child's tax must be refigured using the adjusted amounts. If the child's tax is changed as a result of the adjustment(s), file **Form 1040X,** Amended U.S. Individual Income Tax Return, to correct the child's tax.

Alternative Minimum Tax. Pending legislation would provide special rules to determine if a child whose tax is figured on Form 8615 is subject to the alternative minimum tax. Get **Pub 553,** Highlights of the 1988 Tax Changes, to find out whether this law was passed.

Department of the Treasury
TD F 90-22.1 (5-86)

SUPERSEDES ALL PREVIOUS EDITIONS

REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS

For the calendar year 19

Do not file this form with your Federal Tax Return

Form Approved: OMB No. 1505-0021
Expiration Date: 8/89

This form should be used to report financial interest in or signature authority or other authority over one or more bank accounts, securities accounts, or other financial accounts in foreign countries as required by Department of the Treasury Regulations (31 CFR 103). You are not required to file a report if the aggregate value of the accounts did not exceed $10,000. Check all appropriate boxes. SEE INSTRUCTIONS ON BACK FOR DEFINITIONS. File this form with Dept. of the Treasury, P.O. Box 32621, Detroit, MI 48232.

1. Name (Last, First, Middle)	2. Social security number or employer identification number (if other than individual)	3. Name in item 1 refers to: ☐ Individual ☐ Partnership ☐ Corporation ☐ Fiduciary
4. Address (Street, City, State, Country, ZIP)		

5. ☐ I had signature authority or other authority over one or more foreign accounts, but I had no "financial interest" in such accounts (see instruction J). Indicate for these accounts:

(a) Name and social security number or taxpayer identification number of each owner _____

(b) Address of each owner _____

(Do not complete item 9 for these accounts)

6. ☐ I had a "financial interest" in one or more foreign accounts owned by a domestic corporation, partnership or trust which is required to file TD F 90-22.1. (See instruction L). Indicate for these accounts:

(a) Name and taxpayer identification number of each such corporation, partnership or trust _____

(b) Address of each such corporation, partnership or trust _____

(Do not complete item 9 for these accounts)

7. ☐ I had a "financial interest" in one or more foreign accounts, but the total maximum value of these accounts (see instruction I) did not exceed $10,000 at any time during the year. (If you checked this box, do not complete item 9)

8. ☐ I had a "financial interest" in 25 or more foreign accounts. (If you checked this box, do not complete item 9.)

9. If you had a "financial interest" in one or more but fewer than 25 foreign accounts which are required to be reported, and the total maximum value of the accounts exceeded $10,000 during the year (see instruction I), write the total number of those accounts in the box below. Complete items (a) through (f) below for one of the accounts and attach a separate TD F 90-22.1 for each of the others. Items 1, 2, 3, 9, and 10 must be completed for each account.

Check here if this is an attachment ☐

(a) Name in which account is maintained	(b) Name of bank or other person with whom account is maintained
(c) Number and other account designation, if any	(d) Address of office or branch where account is maintained

(e) Type of account. (If not certain of English name for the type of account, give the foreign language name and describe the nature of the account. Attach additional sheets if necessary.)

☐ Bank Account ☐ Securities Account ☐ Other (specify)

(f) Maximum value of account (see instruction I)

☐ Under $10,000 ☐ $10,000 to $50,000 ☐ $50,000 to $100,000 ☐ Over $100,000

10. Signature	11. Title (Not necessary if reporting personal account)	12. Date

PRIVACY ACT NOTIFICATION

Pursuant to the requirements of Public Law 93-579, Privacy Act of 1974, notice is hereby given that the authority to collect information on TD F 90-22.1 is in accordance with 5 U.S.C. 552(e)(3), Public Law 91-508, 31 U.S.C. 1121, 5 U.S.C. 301, 31 CFR Part 103.

The principal purpose for collecting the information is to assure maximum accuracy of reports of records where such reports or records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The information collected may be provided to those officers and employees of any constituent unit of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to any other department or agency of the Federal Government upon the request of the head of such department or agency for use in a criminal, tax, or regulatory investigation or proceeding.

Disclosure of this information is mandatory. Civil and criminal penalties, including civil penalty of not more than $500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report.

Disclosure of the social security number is mandatory. The authority to collect this number is 31 CFR 103. The social security number will be used as a means to identify the individual who files the report.

INSTRUCTIONS

A. Who Must File a Report—Each [illegible] person who has a financial interest in [illegible] signature authority or other authority over bank [illegible] securities, or other financial accounts in a foreign country, which exceeded $10,000 in aggregate value at any time during the calendar year, must report that relationship each calendar year by filing TD F 90-22.1 with the Department of the Treasury on or before June 30, of the succeeding year.

An officer or employee of a commercial bank which is subject to the supervision of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation need not report that he has signature or other authority over a foreign bank, securities, or other financial account maintained by the bank unless he has a personal financial interest in the account.

In addition, an officer or employee of a domestic corporation whose securities are listed upon national securities exchanges or which has assets exceeding $1 million and 500 or more shareholders of record need not file such a report concerning his signature authority over a foreign financial account of the corporation if he has no personal financial interest in the account and has been advised in writing by the chief financial officer of the corporation that the corporation has filed a current report which includes that account.

B. United States Person—The term "a United States person" means (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, or (4) a domestic estate or trust.

C. When and Where to File—This report shall be filed on or before June 30 each calendar year with the Department of the Treasury, P.O. Box 32621, Detroit, MI 48232, or it may be hand-carried to any local office of the Internal Revenue Service for forwarding to the Department of the Treasury, Detroit, MI.

D. Account in a Foreign Country—A foreign country includes all geographical areas located outside the United States, Guam, Puerto Rico, and the Virgin Islands.

Report any account maintained with a bank (including a merchant bank), broker or dealer in securities that is located in a foreign country even if it is a part of a United States bank or other organization. Do not report any account maintained with a branch, agency, or other office of a foreign bank or other institution that is located in the United States, Guam, Puerto Rico, and the Virgin Islands.

E. Military Banking Facility—Do not report an account in a foreign country, an account in an institution known as a United States military banking facility (or United States military finance facility) operated by a United States financial institution designated by the United States Government to serve U.S. Government installations abroad, even if the United States military banking facility is located in a foreign country.

F. Bank Financial Account—The term "bank account" means a savings, demand, checking, deposit, loan or any other account maintained with a financial institution or other person engaged in the business of banking. It includes certificates of deposit.

The term "securities account" means an account maintained with a financial institution or other person who buys, sells, holds or trades stock or other securities for the benefit of another.

The term "other financial account" means any other account maintained with a financial institution or other person engaged in the business of a financial nature. It includes an insurance policy with a cash value, an annuity policy, and shares in a mutual fund or similar pooled fund which are available to the general public and which are regularly traded on an established securities market.

The term "other financial account" means any other account maintained with a financial institution or other person engaged in the business of a financial nature. It includes an insurance policy with a cash value, an annuity policy, and shares in a mutual fund or similar pooled fund which are available to the general public and which are regularly traded on an established securities market.

G. Financial Interest—A financial interest in a bank, securities, or other financial account in a foreign country means an interest described in either of the following two paragraphs.

(1) A United States person has a financial interest in each account for which such person is the owner of record or has legal title, whether the account is maintained for his or her own benefit or for the benefit of others including non-United States persons. If an account is maintained in the name of two persons jointly, or if several persons each own a partial interest in an account, each of those United States persons has a financial interest in that account.

(2) A United States person has a financial interest in each bank, securities, or other financial account in a foreign country for which the owner of record or holder of legal title is: a person acting as an agent, nominee, attorney, or in some other capacity on behalf of the U.S. person; a corporation in which the United States person owns directly or indirectly more than 50 percent of the total value of shares of stock; a partnership in which the United States person owns an interest in more than 50 percent of the profits (distributive share of income); or (3) a trust in which the United States person either has a present beneficial interest in more than 50 percent of the assets or from which such person receives more than 50 percent of the current income.

H. Signature or Other Authority Over an Account—

Signature Authority—A person has signature authority over an account if such person can control the disposition of money or other property in it by delivery of a check or other instrument or payment order to the bank or other financial institution that holds the account, or by giving instructions to that bank or other person with whom the account is maintained.

Other Authority exists in a person who can exercise comparable power over an account by direct communication to the bank or other person with whom the account is maintained, either orally or by some other means.

I. Account Valuation—For items 11 a and b and item 14, the maximum value of an account is the largest amount of currency and non-monetary assets that appear on any quarterly or more frequent account statement issued for the applicable year. If periodic account statements are not issued, the maximum account asset value is the largest amount of currency and non-monetary assets in the account at any time during the year. Round foreign currency amounts up using the official exchange rate at the end of the year. In valuing currency of a country that uses multiple exchange rates, use the rate which would apply if the currency in the account were converted into United States dollars at the close of the calendar year.

The value of stock, other securities, or other non-monetary assets in an account reported on TD F 90-22.1 is the fair market value at the end of the calendar year, or if withdrawn from the account, at the time of the withdrawal.

J. Exceptions to Items 11 a and b—Under certain circumstances, a financial interest in more than one account, each account in a group of accounts maintained with the same financial institution, or each account in a group of accounts for which the same person has signature or other authority, may be reported on a consolidated basis. If you have a financial interest in 25 or more but fewer than 50 accounts and you are unable to determine whether the maximum value of these accounts exceeded $10,000 at any time during the year, check item 9 (do not check item 11) and complete item 12 for each of these accounts.

J. United States Persons with Authority Over but No Interest in an Account—Except as provided in instruction A and the following paragraph, you must state the name, address, and identifying number (if each owner of an account over which you had authority, but if you check item 9 for more than one account of the same owner, you need identify the owner only once.

If you check item 9 for one or more accounts in which no United States person had a financial interest, you may state on the first line of this item of data supplying information about the owner. "NO U.S. person had any financial interest in the foreign accounts." This statement must be based upon the actual belief of the person filing this report after he or she has taken reasonable measures to ensure its correctness.

If you have item 9 for accounts owned by a domestic corporation and its domestic and/or foreign subsidiaries, you may treat them as one owner and enter in the space provided the name of the parent corporation followed by "and related entities" and the identifying number and address of the parent corporation.

K. Consolidated Reporting—A corporation which owns directly or indirectly more than 50 percent interest in one or more other entities will be permitted to file a consolidated report on TD F 90-22.1 on behalf of itself and such other entities provided that a listing of them is made part of the consolidated report. Such reporting should be signed by an authorized official of the parent corporation.

If the group of entities covered by a consolidated report has a financial interest in 25 or more foreign accounts, the parent corporation's consolidated report only need report the number of such accounts. However, the assets of certain accounts must still be reported separately (see paragraphs concerning each account which is required to be reported separately).

L. Avoiding Duplicate Reporting—If you have a financial interest in more than one account, or if you have signature or other authority over more than one account, but you have already joined in a consolidated report filed by a domestic corporation, partnership or trust which is required to file TD F 90-22.1 with respect to these accounts, you do not have to file a report. If you sign a consolidated report filed by another person, you should check item 9 and provide the required information.

M. Providing Additional Information—Any person filing this report must promptly provide any other information requested by the Department of the Treasury. Provide the information requested on item 9.

N. Signature (Item 10)—This report must be signed by the person named in item 1 or his agent in behalf. Use of a power of attorney or other authorization is not sufficient. It must be signed by a principal or fiduciary.

O. Penalties—Civil and criminal penalties for failure to file a report, supply information, and for filing a false or fraudulent report are [illegible] U.S.C. Section 5322(a) and 5322(b).

1988 Tax Table

Use if your taxable income is less than $50,000. If $50,000 or more, use the Tax Rate Schedules.

Example: Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 37 of Form 1040 is $25,300. First, they find the $25,300–25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is $3,799. This is the tax amount they must write on line 38 of their return.

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
25,200	25,250	4,743	3,784	5,129	3,956
25,250	25,300	4,757	3,791	5,143	3,970
25,300	25,350	4,771	3,799	5,157	3,984
25,350	25,400	4,785	3,806	5,171	3,998

If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
$0	$5	$0	$0	$0	$0
5	15	2	2	2	2
15	25	3	3	3	3
25	50	6	6	6	6
50	75	9	9	9	9
75	100	13	13	13	13
100	125	17	17	17	17
125	150	21	21	21	21
150	175	24	24	24	24
175	200	28	28	28	28
200	225	32	32	32	32
225	250	36	36	36	36
250	275	39	39	39	39
275	300	43	43	43	43
300	325	47	47	47	47
325	350	51	51	51	51
350	375	54	54	54	54
375	400	58	58	58	58
400	425	62	62	62	62
425	450	66	66	66	66
450	475	69	69	69	69
475	500	73	73	73	73
500	525	77	77	77	77
525	550	81	81	81	81
550	575	84	84	84	84
575	600	88	88	88	88
600	625	92	92	92	92
625	650	96	96	96	96
650	675	99	99	99	99
675	700	103	103	103	103
700	725	107	107	107	107
725	750	111	111	111	111
750	775	114	114	114	114
775	800	118	118	118	118
800	825	122	122	122	122
825	850	126	126	126	126
850	875	129	129	129	129
875	900	133	133	133	133
900	925	137	137	137	137
925	950	141	141	141	141
950	975	144	144	144	144
975	1,000	148	148	148	148
1,000					
1,000	1,025	152	152	152	152
1,025	1,050	156	156	156	156
1,050	1,075	159	159	159	159
1,075	1,100	163	163	163	163
1,100	1,125	167	167	167	167
1,125	1,150	171	171	171	171
1,150	1,175	174	174	174	174
1,175	1,200	178	178	178	178
1,200	1,225	182	182	182	182
1,225	1,250	186	186	186	186
1,250	1,275	189	189	189	189
1,275	1,300	193	193	193	193
1,300	1,325	197	197	197	197
1,325	1,350	201	201	201	201
1,350	1,375	204	204	204	204
1,375	1,400	208	208	208	208
1,400	1,425	212	212	212	212
1,425	1,450	216	216	216	216
1,450	1,475	219	219	219	219
1,475	1,500	223	223	223	223
1,500	1,525	227	227	227	227
1,525	1,550	231	231	231	231
1,550	1,575	234	234	234	234
1,575	1,600	238	238	238	238
1,600	1,625	242	242	242	242
1,625	1,650	246	246	246	246
1,650	1,675	249	249	249	249
1,675	1,700	253	253	253	253
1,700	1,725	257	257	257	257
1,725	1,750	261	261	261	261
1,750	1,775	264	264	264	264
1,775	1,800	268	268	268	268
1,800	1,825	272	272	272	272
1,825	1,850	276	276	276	276
1,850	1,875	279	279	279	279
1,875	1,900	283	283	283	283
1,900	1,925	287	287	287	287
1,925	1,950	291	291	291	291
1,950	1,975	294	294	294	294
1,975	2,000	298	298	298	298
2,000					
2,000	2,025	302	302	302	302
2,025	2,050	306	306	306	306
2,050	2,075	309	309	309	309
2,075	2,100	313	313	313	313
2,100	2,125	317	317	317	317
2,125	2,150	321	321	321	321
2,150	2,175	324	324	324	324
2,175	2,200	328	328	328	328
2,200	2,225	332	332	332	332
2,225	2,250	336	336	336	336
2,250	2,275	339	339	339	339
2,275	2,300	343	343	343	343
2,300	2,325	347	347	347	347
2,325	2,350	351	351	351	351
2,350	2,375	354	354	354	354
2,375	2,400	358	358	358	358
2,400	2,425	362	362	362	362
2,425	2,450	366	366	366	366
2,450	2,475	369	369	369	369
2,475	2,500	373	373	373	373
2,500	2,525	377	377	377	377
2,525	2,550	381	381	381	381
2,550	2,575	384	384	384	384
2,575	2,600	388	388	388	388
2,600	2,625	392	392	392	392
2,625	2,650	396	396	396	396
2,650	2,675	399	399	399	399
2,675	2,700	403	403	403	403
2,700	2,725	407	407	407	407
2,725	2,750	411	411	411	411
2,750	2,775	414	414	414	414
2,775	2,800	418	418	418	418
2,800	2,825	422	422	422	422
2,825	2,850	426	426	426	426
2,850	2,875	429	429	429	429
2,875	2,900	433	433	433	433
2,900	2,925	437	437	437	437
2,925	2,950	441	441	441	441
2,950	2,975	444	444	444	444
2,975	3,000	448	448	448	448
3,000					
3,000	3,050	454	454	454	454
3,050	3,100	461	461	461	461
3,100	3,150	469	469	469	469
3,150	3,200	476	476	476	476
3,200	3,250	484	484	484	484
3,250	3,300	491	491	491	491
3,300	3,350	499	499	499	499
3,350	3,400	506	506	506	506
3,400	3,450	514	514	514	514
3,450	3,500	521	521	521	521
3,500	3,550	529	529	529	529
3,550	3,600	536	536	536	536
3,600	3,650	544	544	544	544
3,650	3,700	551	551	551	551
3,700	3,750	559	559	559	559
3,750	3,800	566	566	566	566
3,800	3,850	574	574	574	574
3,850	3,900	581	581	581	581
3,900	3,950	589	589	589	589
3,950	4,000	596	596	596	596
4,000					
4,000	4,050	604	604	604	604
4,050	4,100	611	611	611	611
4,100	4,150	619	619	619	619
4,150	4,200	626	626	626	626
4,200	4,250	634	634	634	634
4,250	4,300	641	641	641	641
4,300	4,350	649	649	649	649
4,350	4,400	656	656	656	656
4,400	4,450	664	664	664	664
4,450	4,500	671	671	671	671
4,500	4,550	679	679	679	679
4,550	4,600	686	686	686	686
4,600	4,650	694	694	694	694
4,650	4,700	701	701	701	701
4,700	4,750	709	709	709	709
4,750	4,800	716	716	716	716
4,800	4,850	724	724	724	724
4,850	4,900	731	731	731	731
4,900	4,950	739	739	739	739
4,950	5,000	746	746	746	746

* This column must also be used by a qualifying widow(er).

Continued on next page

1988 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
5,000					
5,000	5,050	754	754	754	754
5,050	5,100	761	761	761	761
5,100	5,150	769	769	769	769
5,150	5,200	776	776	776	776
5,200	5,250	784	784	784	784
5,250	5,300	791	791	791	791
5,300	5,350	799	799	799	799
5,350	5,400	806	806	806	806
5,400	5,450	814	814	814	814
5,450	5,500	821	821	821	821
5,500	5,550	829	829	829	829
5,550	5,600	836	836	836	836
5,600	5,650	844	844	844	844
5,650	5,700	851	851	851	851
5,700	5,750	859	859	859	859
5,750	5,800	866	866	866	866
5,800	5,850	874	874	874	874
5,850	5,900	881	881	881	881
5,900	5,950	889	889	889	889
5,950	6,000	896	896	896	896
6,000					
6,000	6,050	904	904	904	904
6,050	6,100	911	911	911	911
6,100	6,150	919	919	919	919
6,150	6,200	926	926	926	926
6,200	6,250	934	934	934	934
6,250	6,300	941	941	941	941
6,300	6,350	949	949	949	949
6,350	6,400	956	956	956	956
6,400	6,450	964	964	964	964
6,450	6,500	971	971	971	971
6,500	6,550	979	979	979	979
6,550	6,600	986	986	986	986
6,600	6,650	994	994	994	994
6,650	6,700	1,001	1,001	1,001	1,001
6,700	6,750	1,009	1,009	1,009	1,009
6,750	6,800	1,016	1,016	1,016	1,016
6,800	6,850	1,024	1,024	1,024	1,024
6,850	6,900	1,031	1,031	1,031	1,031
6,900	6,950	1,039	1,039	1,039	1,039
6,950	7,000	1,046	1,046	1,046	1,046
7,000					
7,000	7,050	1,054	1,054	1,054	1,054
7,050	7,100	1,061	1,061	1,061	1,061
7,100	7,150	1,069	1,069	1,069	1,069
7,150	7,200	1,076	1,076	1,076	1,076
7,200	7,250	1,084	1,084	1,084	1,084
7,250	7,300	1,091	1,091	1,091	1,091
7,300	7,350	1,099	1,099	1,099	1,099
7,350	7,400	1,106	1,106	1,106	1,106
7,400	7,450	1,114	1,114	1,114	1,114
7,450	7,500	1,121	1,121	1,121	1,121
7,500	7,550	1,129	1,129	1,129	1,129
7,550	7,600	1,136	1,136	1,136	1,136
7,600	7,650	1,144	1,144	1,144	1,144
7,650	7,700	1,151	1,151	1,151	1,151
7,700	7,750	1,159	1,159	1,159	1,159
7,750	7,800	1,166	1,166	1,166	1,166
7,800	7,850	1,174	1,174	1,174	1,174
7,850	7,900	1,181	1,181	1,181	1,181
7,900	7,950	1,189	1,189	1,189	1,189
7,950	8,000	1,196	1,196	1,196	1,196
8,000					
8,000	8,050	1,204	1,204	1,204	1,204
8,050	8,100	1,211	1,211	1,211	1,211
8,100	8,150	1,219	1,219	1,219	1,219
8,150	8,200	1,226	1,226	1,226	1,226
8,200	8,250	1,234	1,234	1,234	1,234
8,250	8,300	1,241	1,241	1,241	1,241
8,300	8,350	1,249	1,249	1,249	1,249
8,350	8,400	1,256	1,256	1,256	1,256
8,400	8,450	1,264	1,264	1,264	1,264
8,450	8,500	1,271	1,271	1,271	1,271
8,500	8,550	1,279	1,279	1,279	1,279
8,550	8,600	1,286	1,286	1,286	1,286
8,600	8,650	1,294	1,294	1,294	1,294
8,650	8,700	1,301	1,301	1,301	1,301
8,700	8,750	1,309	1,309	1,309	1,309
8,750	8,800	1,316	1,316	1,316	1,316
8,800	8,850	1,324	1,324	1,324	1,324
8,850	8,900	1,331	1,331	1,331	1,331
8,900	8,950	1,339	1,339	1,339	1,339
8,950	9,000	1,346	1,346	1,346	1,346
9,000					
9,000	9,050	1,354	1,354	1,354	1,354
9,050	9,100	1,361	1,361	1,361	1,361
9,100	9,150	1,369	1,369	1,369	1,369
9,150	9,200	1,376	1,376	1,376	1,376
9,200	9,250	1,384	1,384	1,384	1,384
9,250	9,300	1,391	1,391	1,391	1,391
9,300	9,350	1,399	1,399	1,399	1,399
9,350	9,400	1,406	1,406	1,406	1,406
9,400	9,450	1,414	1,414	1,414	1,414
9,450	9,500	1,421	1,421	1,421	1,421
9,500	9,550	1,429	1,429	1,429	1,429
9,550	9,600	1,436	1,436	1,436	1,436
9,600	9,650	1,444	1,444	1,444	1,444
9,650	9,700	1,451	1,451	1,451	1,451
9,700	9,750	1,459	1,459	1,459	1,459
9,750	9,800	1,466	1,466	1,466	1,466
9,800	9,850	1,474	1,474	1,474	1,474
9,850	9,900	1,481	1,481	1,481	1,481
9,900	9,950	1,489	1,489	1,489	1,489
9,950	10,000	1,496	1,496	1,496	1,496
10,000					
10,000	10,050	1,504	1,504	1,504	1,504
10,050	10,100	1,511	1,511	1,511	1,511
10,100	10,150	1,519	1,519	1,519	1,519
10,150	10,200	1,526	1,526	1,526	1,526
10,200	10,250	1,534	1,534	1,534	1,534
10,250	10,300	1,541	1,541	1,541	1,541
10,300	10,350	1,549	1,549	1,549	1,549
10,350	10,400	1,556	1,556	1,556	1,556
10,400	10,450	1,564	1,564	1,564	1,564
10,450	10,500	1,571	1,571	1,571	1,571
10,500	10,550	1,579	1,579	1,579	1,579
10,550	10,600	1,586	1,586	1,586	1,586
10,600	10,650	1,594	1,594	1,594	1,594
10,650	10,700	1,601	1,601	1,601	1,601
10,700	10,750	1,609	1,609	1,609	1,609
10,750	10,800	1,616	1,616	1,616	1,616
10,800	10,850	1,624	1,624	1,624	1,624
10,850	10,900	1,631	1,631	1,631	1,631
10,900	10,950	1,639	1,639	1,639	1,639
10,950	11,000	1,646	1,646	1,646	1,646
11,000					
11,000	11,050	1,654	1,654	1,654	1,654
11,050	11,100	1,661	1,661	1,661	1,661
11,100	11,150	1,669	1,669	1,669	1,669
11,150	11,200	1,676	1,676	1,676	1,676
11,200	11,250	1,684	1,684	1,684	1,684
11,250	11,300	1,691	1,691	1,691	1,691
11,300	11,350	1,699	1,699	1,699	1,699
11,350	11,400	1,706	1,706	1,706	1,706
11,400	11,450	1,714	1,714	1,714	1,714
11,450	11,500	1,721	1,721	1,721	1,721
11,500	11,550	1,729	1,729	1,729	1,729
11,550	11,600	1,736	1,736	1,736	1,736
11,600	11,650	1,744	1,744	1,744	1,744
11,650	11,700	1,751	1,751	1,751	1,751
11,700	11,750	1,759	1,759	1,759	1,759
11,750	11,800	1,766	1,766	1,766	1,766
11,800	11,850	1,774	1,774	1,774	1,774
11,850	11,900	1,781	1,781	1,781	1,781
11,900	11,950	1,789	1,789	1,789	1,789
11,950	12,000	1,796	1,796	1,796	1,796
12,000					
12,000	12,050	1,804	1,804	1,804	1,804
12,050	12,100	1,811	1,811	1,811	1,811
12,100	12,150	1,819	1,819	1,819	1,819
12,150	12,200	1,826	1,826	1,826	1,826
12,200	12,250	1,834	1,834	1,834	1,834
12,250	12,300	1,841	1,841	1,841	1,841
12,300	12,350	1,849	1,849	1,849	1,849
12,350	12,400	1,856	1,856	1,856	1,856
12,400	12,450	1,864	1,864	1,864	1,864
12,450	12,500	1,871	1,871	1,871	1,871
12,500	12,550	1,879	1,879	1,879	1,879
12,550	12,600	1,886	1,886	1,886	1,886
12,600	12,650	1,894	1,894	1,894	1,894
12,650	12,700	1,901	1,901	1,901	1,901
12,700	12,750	1,909	1,909	1,909	1,909
12,750	12,800	1,916	1,916	1,916	1,916
12,800	12,850	1,924	1,924	1,924	1,924
12,850	12,900	1,931	1,931	1,931	1,931
12,900	12,950	1,939	1,939	1,939	1,939
12,950	13,000	1,946	1,946	1,946	1,946
13,000					
13,000	13,050	1,954	1,954	1,954	1,954
13,050	13,100	1,961	1,961	1,961	1,961
13,100	13,150	1,969	1,969	1,969	1,969
13,150	13,200	1,976	1,976	1,976	1,976
13,200	13,250	1,984	1,984	1,984	1,984
13,250	13,300	1,991	1,991	1,991	1,991
13,300	13,350	1,999	1,999	1,999	1,999
13,350	13,400	2,006	2,006	2,006	2,006
13,400	13,450	2,014	2,014	2,014	2,014
13,450	13,500	2,021	2,021	2,021	2,021
13,500	13,550	2,029	2,029	2,029	2,029
13,550	13,600	2,036	2,036	2,036	2,036
13,600	13,650	2,044	2,044	2,044	2,044
13,650	13,700	2,051	2,051	2,051	2,051
13,700	13,750	2,059	2,059	2,059	2,059
13,750	13,800	2,066	2,066	2,066	2,066
13,800	13,850	2,074	2,074	2,074	2,074
13,850	13,900	2,081	2,081	2,081	2,081
13,900	13,950	2,089	2,089	2,089	2,089
13,950	14,000	2,096	2,096	2,096	2,096

* This column must also be used by a qualifying widow(er).

Cont'd on next page

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
14,000						**17,000**						**20,000**					
14,000	14,050	2,104	2,104	2,104	2,104	17,000	17,050	2,554	2,554	2,833	2,554	20,000	20,050	3,287	3,004	3,673	3,004
14,050	14,100	2,111	2,111	2,111	2,111	17,050	17,100	2,561	2,561	2,847	2,561	20,050	20,100	3,301	3,011	3,687	3,011
14,100	14,150	2,119	2,119	2,119	2,119	17,100	17,150	2,569	2,569	2,861	2,569	20,100	20,150	3,315	3,019	3,701	3,019
14,150	14,200	2,126	2,126	2,126	2,126	17,150	17,200	2,576	2,576	2,875	2,576	20,150	20,200	3,329	3,026	3,715	3,026
14,200	14,250	2,134	2,134	2,134	2,134	17,200	17,250	2,584	2,584	2,889	2,584	20,200	20,250	3,343	3,034	3,729	3,034
14,250	14,300	2,141	2,141	2,141	2,141	17,250	17,300	2,591	2,591	2,903	2,591	20,250	20,300	3,357	3,041	3,743	3,041
14,300	14,350	2,149	2,149	2,149	2,149	17,300	17,350	2,599	2,599	2,917	2,599	20,300	20,350	3,371	3,049	3,757	3,049
14,350	14,400	2,156	2,156	2,156	2,156	17,350	17,400	2,606	2,606	2,931	2,606	20,350	20,400	3,385	3,056	3,771	3,056
14,400	14,450	2,164	2,164	2,164	2,164	17,400	17,450	2,614	2,614	2,945	2,614	20,400	20,450	3,399	3,064	3,785	3,064
14,450	14,500	2,171	2,171	2,171	2,171	17,450	17,500	2,621	2,621	2,959	2,621	20,450	20,500	3,413	3,071	3,799	3,071
14,500	14,550	2,179	2,179	2,179	2,179	17,500	17,550	2,629	2,629	2,973	2,629	20,500	20,550	3,427	3,079	3,813	3,079
14,550	14,600	2,186	2,186	2,186	2,186	17,550	17,600	2,636	2,636	2,987	2,636	20,550	20,600	3,441	3,086	3,827	3,086
14,600	14,650	2,194	2,194	2,194	2,194	17,600	17,650	2,644	2,644	3,001	2,644	20,600	20,650	3,455	3,094	3,841	3,094
14,650	14,700	2,201	2,201	2,201	2,201	17,650	17,700	2,651	2,651	3,015	2,651	20,650	20,700	3,469	3,101	3,855	3,101
14,700	14,750	2,209	2,209	2,209	2,209	17,700	17,750	2,659	2,659	3,029	2,659	20,700	20,750	3,483	3,109	3,869	3,109
14,750	14,800	2,216	2,216	2,216	2,216	17,750	17,800	2,666	2,666	3,043	2,666	20,750	20,800	3,497	3,116	3,883	3,116
14,800	14,850	2,224	2,224	2,224	2,224	17,800	17,850	2,674	2,674	3,057	2,674	20,800	20,850	3,511	3,124	3,897	3,124
14,850	14,900	2,231	2,231	2,231	2,231	17,850	17,900	2,681	2,681	3,071	2,681	20,850	20,900	3,525	3,131	3,911	3,131
14,900	14,950	2,239	2,239	2,245	2,239	17,900	17,950	2,689	2,689	3,085	2,689	20,900	20,950	3,539	3,139	3,925	3,139
14,950	15,000	2,246	2,246	2,259	2,246	17,950	18,000	2,713	2,696	3,099	2,696	20,950	21,000	3,553	3,146	3,939	3,146
15,000						**18,000**						**21,000**					
15,000	15,050	2,254	2,254	2,273	2,254	18,000	18,050	2,727	2,704	3,113	2,704	21,000	21,050	3,567	3,154	3,953	3,154
15,050	15,100	2,261	2,261	2,287	2,261	18,050	18,100	2,741	2,711	3,127	2,711	21,050	21,100	3,581	3,161	3,967	3,161
15,100	15,150	2,269	2,269	2,301	2,269	18,100	18,150	2,755	2,719	3,141	2,719	21,100	21,150	3,595	3,169	3,981	3,169
15,150	15,200	2,276	2,276	2,315	2,276	18,150	18,200	2,769	2,726	3,155	2,726	21,150	21,200	3,609	3,176	3,995	3,176
15,200	15,250	2,284	2,284	2,329	2,284	18,200	18,250	2,783	2,734	3,169	2,734	21,200	21,250	3,623	3,184	4,009	3,184
15,250	15,300	2,291	2,291	2,343	2,291	18,250	18,300	2,797	2,741	3,183	2,741	21,250	21,300	3,637	3,191	4,023	3,191
15,300	15,350	2,299	2,299	2,357	2,299	18,300	18,350	2,811	2,749	3,197	2,749	21,300	21,350	3,651	3,199	4,037	3,199
15,350	15,400	2,306	2,306	2,371	2,306	18,350	18,400	2,825	2,756	3,211	2,756	21,350	21,400	3,665	3,206	4,051	3,206
15,400	15,450	2,314	2,314	2,385	2,314	18,400	18,450	2,839	2,764	3,225	2,764	21,400	21,450	3,679	3,214	4,065	3,214
15,450	15,500	2,321	2,321	2,399	2,321	18,450	18,500	2,853	2,771	3,239	2,771	21,450	21,500	3,693	3,221	4,079	3,221
15,500	15,550	2,329	2,329	2,413	2,329	18,500	18,550	2,867	2,779	3,253	2,779	21,500	21,550	3,707	3,229	4,093	3,229
15,550	15,600	2,336	2,336	2,427	2,336	18,550	18,600	2,881	2,786	3,267	2,786	21,550	21,600	3,721	3,236	4,107	3,236
15,600	15,650	2,344	2,344	2,441	2,344	18,600	18,650	2,895	2,794	3,281	2,794	21,600	21,650	3,735	3,244	4,121	3,244
15,650	15,700	2,351	2,351	2,455	2,351	18,650	18,700	2,909	2,801	3,295	2,801	21,650	21,700	3,749	3,251	4,135	3,251
15,700	15,750	2,359	2,359	2,469	2,359	18,700	18,750	2,923	2,809	3,309	2,809	21,700	21,750	3,763	3,259	4,149	3,259
15,750	15,800	2,366	2,366	2,483	2,366	18,750	18,800	2,937	2,816	3,323	2,816	21,750	21,800	3,777	3,266	4,163	3,266
15,800	15,850	2,374	2,374	2,497	2,374	18,800	18,850	2,951	2,824	3,337	2,824	21,800	21,850	3,791	3,274	4,177	3,274
15,850	15,900	2,381	2,381	2,511	2,381	18,850	18,900	2,965	2,831	3,351	2,831	21,850	21,900	3,805	3,281	4,191	3,281
15,900	15,950	2,389	2,389	2,525	2,389	18,900	18,950	2,979	2,839	3,365	2,839	21,900	21,950	3,819	3,289	4,205	3,289
15,950	16,000	2,396	2,396	2,539	2,396	18,950	19,000	2,993	2,846	3,379	2,846	21,950	22,000	3,833	3,296	4,219	3,296
16,000						**19,000**						**22,000**					
16,000	16,050	2,404	2,404	2,553	2,404	19,000	19,050	3,007	2,854	3,393	2,854	22,000	22,050	3,847	3,304	4,233	3,304
16,050	16,100	2,411	2,411	2,567	2,411	19,050	19,100	3,021	2,861	3,407	2,861	22,050	22,100	3,861	3,311	4,247	3,311
16,100	16,150	2,419	2,419	2,581	2,419	19,100	19,150	3,035	2,869	3,421	2,869	22,100	22,150	3,875	3,319	4,261	3,319
16,150	16,200	2,426	2,426	2,595	2,426	19,150	19,200	3,049	2,876	3,435	2,876	22,150	22,200	3,889	3,326	4,275	3,326
16,200	16,250	2,434	2,434	2,609	2,434	19,200	19,250	3,063	2,884	3,449	2,884	22,200	22,250	3,903	3,334	4,289	3,334
16,250	16,300	2,441	2,441	2,623	2,441	19,250	19,300	3,077	2,891	3,463	2,891	22,250	22,300	3,917	3,341	4,303	3,341
16,300	16,350	2,449	2,449	2,637	2,449	19,300	19,350	3,091	2,899	3,477	2,899	22,300	22,350	3,931	3,349	4,317	3,349
16,350	16,400	2,456	2,456	2,651	2,456	19,350	19,400	3,105	2,906	3,491	2,906	22,350	22,400	3,945	3,356	4,331	3,356
16,400	16,450	2,464	2,464	2,665	2,464	19,400	19,450	3,119	2,914	3,505	2,914	22,400	22,450	3,959	3,364	4,345	3,364
16,450	16,500	2,471	2,471	2,679	2,471	19,450	19,500	3,133	2,921	3,519	2,921	22,450	22,500	3,973	3,371	4,359	3,371
16,500	16,550	2,479	2,479	2,693	2,479	19,500	19,550	3,147	2,929	3,533	2,929	22,500	22,550	3,987	3,379	4,373	3,379
16,550	16,600	2,486	2,486	2,707	2,486	19,550	19,600	3,161	2,936	3,547	2,936	22,550	22,600	4,001	3,386	4,387	3,386
16,600	16,650	2,494	2,494	2,721	2,494	19,600	19,650	3,175	2,944	3,561	2,944	22,600	22,650	4,015	3,394	4,401	3,394
16,650	16,700	2,501	2,501	2,735	2,501	19,650	19,700	3,189	2,951	3,575	2,951	22,650	22,700	4,029	3,401	4,415	3,401
16,700	16,750	2,509	2,509	2,749	2,509	19,700	19,750	3,203	2,959	3,589	2,959	22,700	22,750	4,043	3,409	4,429	3,409
16,750	16,800	2,516	2,516	2,763	2,516	19,750	19,800	3,217	2,966	3,603	2,966	22,750	22,800	4,057	3,416	4,443	3,416
16,800	16,850	2,524	2,524	2,777	2,524	19,800	19,850	3,231	2,974	3,617	2,974	22,800	22,850	4,071	3,424	4,457	3,424
16,850	16,900	2,531	2,531	2,791	2,531	19,850	19,900	3,245	2,981	3,631	2,981	22,850	22,900	4,085	3,431	4,471	3,431
16,900	16,950	2,539	2,539	2,805	2,539	19,900	19,950	3,259	2,989	3,645	2,989	22,900	22,950	4,099	3,439	4,485	3,439
16,950	17,000	2,546	2,546	2,819	2,546	19,950	20,000	3,273	2,996	3,659	2,996	22,950	23,000	4,113	3,446	4,499	3,446

* This column must also be used by a qualifying widow(er).

Continued on next page

1988 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
23,000						**26,000**						**29,000**					
23,000	23,050	4,127	3,454	4,513	3,454	26,000	26,050	4,967	3,904	5,353	4,180	29,000	29,050	5,807	4,354	6,193	5,020
23,050	23,100	4,141	3,461	4,527	3,461	26,050	26,100	4,981	3,911	5,367	4,194	29,050	29,100	5,821	4,361	6,207	5,034
23,100	23,150	4,155	3,469	4,541	3,469	26,100	26,150	4,995	3,919	5,381	4,208	29,100	29,150	5,835	4,369	6,221	5,048
23,150	23,200	4,169	3,476	4,555	3,476	26,150	26,200	5,009	3,926	5,395	4,222	29,150	29,200	5,849	4,376	6,235	5,062
23,200	23,250	4,183	3,484	4,569	3,484	26,200	26,250	5,023	3,934	5,409	4,236	29,200	29,250	5,863	4,384	6,249	5,076
23,250	23,300	4,197	3,491	4,583	3,491	26,250	26,300	5,037	3,941	5,423	4,250	29,250	29,300	5,877	4,391	6,263	5,090
23,300	23,350	4,211	3,499	4,597	3,499	26,300	26,350	5,051	3,949	5,437	4,264	29,300	29,350	5,891	4,399	6,277	5,104
23,350	23,400	4,225	3,506	4,611	3,506	26,350	26,400	5,065	3,956	5,451	4,278	29,350	29,400	5,905	4,406	6,291	5,118
23,400	23,450	4,239	3,514	4,625	3,514	26,400	26,450	5,079	3,964	5,465	4,292	29,400	29,450	5,919	4,414	6,305	5,132
23,450	23,500	4,253	3,521	4,639	3,521	26,450	26,500	5,093	3,971	5,479	4,306	29,450	29,500	5,933	4,421	6,319	5,146
23,500	23,550	4,267	3,529	4,653	3,529	26,500	26,550	5,107	3,979	5,493	4,320	29,500	29,550	5,947	4,429	6,333	5,160
23,550	23,600	4,281	3,536	4,667	3,536	26,550	26,600	5,121	3,986	5,507	4,334	29,550	29,600	5,961	4,436	6,347	5,174
23,600	23,650	4,295	3,544	4,681	3,544	26,600	26,650	5,135	3,994	5,521	4,348	29,600	29,650	5,975	4,444	6,361	5,188
23,650	23,700	4,309	3,551	4,695	3,551	26,650	26,700	5,149	4,001	5,535	4,362	29,650	29,700	5,989	4,451	6,375	5,202
23,700	23,750	4,323	3,559	4,709	3,559	26,700	26,750	5,163	4,009	5,549	4,376	29,700	29,750	6,003	4,459	6,389	5,216
23,750	23,800	4,337	3,566	4,723	3,566	26,750	26,800	5,177	4,016	5,563	4,390	29,750	29,800	6,017	4,470	6,403	5,230
23,800	23,850	4,351	3,574	4,737	3,574	26,800	26,850	5,191	4,024	5,577	4,404	29,800	29,850	6,031	4,484	6,417	5,244
23,850	23,900	4,365	3,581	4,751	3,581	26,850	26,900	5,205	4,031	5,591	4,418	29,850	29,900	6,045	4,498	6,431	5,258
23,900	23,950	4,379	3,589	4,765	3,592	26,900	26,950	5,219	4,039	5,605	4,432	29,900	29,950	6,059	4,512	6,445	5,272
23,950	24,000	4,393	3,596	4,779	3,606	26,950	27,000	5,233	4,046	5,619	4,446	29,950	30,000	6,073	4,526	6,459	5,286
24,000						**27,000**						**30,000**					
24,000	24,050	4,407	3,604	4,793	3,620	27,000	27,050	5,247	4,054	5,633	4,460	30,000	30,050	6,087	4,540	6,473	5,300
24,050	24,100	4,421	3,611	4,807	3,634	27,050	27,100	5,261	4,061	5,647	4,474	30,050	30,100	6,101	4,554	6,487	5,314
24,100	24,150	4,435	3,619	4,821	3,648	27,100	27,150	5,275	4,069	5,661	4,488	30,100	30,150	6,115	4,568	6,501	5,328
24,150	24,200	4,449	3,626	4,835	3,662	27,150	27,200	5,289	4,076	5,675	4,502	30,150	30,200	6,129	4,582	6,515	5,342
24,200	24,250	4,463	3,634	4,849	3,676	27,200	27,250	5,303	4,084	5,689	4,516	30,200	30,250	6,143	4,596	6,529	5,356
24,250	24,300	4,477	3,641	4,863	3,690	27,250	27,300	5,317	4,091	5,703	4,530	30,250	30,300	6,157	4,610	6,543	5,370
24,300	24,350	4,491	3,649	4,877	3,704	27,300	27,350	5,331	4,099	5,717	4,544	30,300	30,350	6,171	4,624	6,557	5,384
24,350	24,400	4,505	3,656	4,891	3,718	27,350	27,400	5,345	4,106	5,731	4,558	30,350	30,400	6,185	4,638	6,571	5,398
24,400	24,450	4,519	3,664	4,905	3,732	27,400	27,450	5,359	4,114	5,745	4,572	30,400	30,450	6,199	4,652	6,585	5,412
24,450	24,500	4,533	3,671	4,919	3,746	27,450	27,500	5,373	4,121	5,759	4,586	30,450	30,500	6,213	4,666	6,599	5,426
24,500	24,550	4,547	3,679	4,933	3,760	27,500	27,550	5,387	4,129	5,773	4,600	30,500	30,550	6,227	4,680	6,613	5,440
24,550	24,600	4,561	3,686	4,947	3,774	27,550	27,600	5,401	4,136	5,787	4,614	30,550	30,600	6,241	4,694	6,627	5,454
24,600	24,650	4,575	3,694	4,961	3,788	27,600	27,650	5,415	4,144	5,801	4,628	30,600	30,650	6,255	4,708	6,641	5,468
24,650	24,700	4,589	3,701	4,975	3,802	27,650	27,700	5,429	4,151	5,815	4,642	30,650	30,700	6,269	4,722	6,655	5,482
24,700	24,750	4,603	3,709	4,989	3,816	27,700	27,750	5,443	4,159	5,829	4,656	30,700	30,750	6,283	4,736	6,669	5,496
24,750	24,800	4,617	3,716	5,003	3,830	27,750	27,800	5,457	4,166	5,843	4,670	30,750	30,800	6,297	4,750	6,683	5,510
24,800	24,850	4,631	3,724	5,017	3,844	27,800	27,850	5,471	4,174	5,857	4,684	30,800	30,850	6,311	4,764	6,697	5,524
24,850	24,900	4,645	3,731	5,031	3,858	27,850	27,900	5,485	4,181	5,871	4,698	30,850	30,900	6,325	4,778	6,711	5,538
24,900	24,950	4,659	3,739	5,045	3,872	27,900	27,950	5,499	4,189	5,885	4,712	30,900	30,950	6,339	4,792	6,725	5,552
24,950	25,000	4,673	3,746	5,059	3,886	27,950	28,000	5,513	4,196	5,899	4,726	30,950	31,000	6,353	4,806	6,739	5,566
25,000						**28,000**						**31,000**					
25,000	25,050	4,687	3,754	5,073	3,900	28,000	28,050	5,527	4,204	5,913	4,740	31,000	31,050	6,367	4,820	6,753	5,580
25,050	25,100	4,701	3,761	5,087	3,914	28,050	28,100	5,541	4,211	5,927	4,754	31,050	31,100	6,381	4,834	6,767	5,594
25,100	25,150	4,715	3,769	5,101	3,928	28,100	28,150	5,555	4,219	5,941	4,768	31,100	31,150	6,395	4,848	6,781	5,608
25,150	25,200	4,729	3,776	5,115	3,942	28,150	28,200	5,569	4,226	5,955	4,782	31,150	31,200	6,409	4,862	6,795	5,622
25,200	25,250	4,743	3,784	5,129	3,956	28,200	28,250	5,583	4,234	5,969	4,796	31,200	31,250	6,423	4,876	6,809	5,636
25,250	25,300	4,757	3,791	5,143	3,970	28,250	28,300	5,597	4,241	5,983	4,810	31,250	31,300	6,437	4,890	6,823	5,650
25,300	25,350	4,771	3,799	5,157	3,984	28,300	28,350	5,611	4,249	5,997	4,824	31,300	31,350	6,451	4,904	6,837	5,664
25,350	25,400	4,785	3,806	5,171	3,998	28,350	28,400	5,625	4,256	6,011	4,838	31,350	31,400	6,465	4,918	6,851	5,678
25,400	25,450	4,799	3,814	5,185	4,012	28,400	28,450	5,639	4,264	6,025	4,852	31,400	31,450	6,479	4,932	6,865	5,692
25,450	25,500	4,813	3,821	5,199	4,026	28,450	28,500	5,653	4,271	6,039	4,866	31,450	31,500	6,493	4,946	6,879	5,706
25,500	25,550	4,827	3,829	5,213	4,040	28,500	28,550	5,667	4,279	6,053	4,880	31,500	31,550	6,507	4,960	6,893	5,720
25,550	25,600	4,841	3,836	5,227	4,054	28,550	28,600	5,681	4,286	6,067	4,894	31,550	31,600	6,521	4,974	6,907	5,734
25,600	25,650	4,855	3,844	5,241	4,068	28,600	28,650	5,695	4,294	6,081	4,908	31,600	31,650	6,535	4,988	6,921	5,748
25,650	25,700	4,869	3,851	5,255	4,082	28,650	28,700	5,709	4,301	6,095	4,922	31,650	31,700	6,549	5,002	6,935	5,762
25,700	25,750	4,883	3,859	5,269	4,096	28,700	28,750	5,723	4,309	6,109	4,936	31,700	31,750	6,563	5,016	6,949	5,776
25,750	25,800	4,897	3,866	5,283	4,110	28,750	28,800	5,737	4,316	6,123	4,950	31,750	31,800	6,577	5,030	6,963	5,790
25,800	25,850	4,911	3,874	5,297	4,124	28,800	28,850	5,751	4,324	6,137	4,964	31,800	31,850	6,591	5,044	6,977	5,804
25,850	25,900	4,925	3,881	5,311	4,138	28,850	28,900	5,765	4,331	6,151	4,978	31,850	31,900	6,605	5,058	6,991	5,818
25,900	25,950	4,939	3,889	5,325	4,152	28,900	28,950	5,779	4,339	6,165	4,992	31,900	31,950	6,619	5,072	7,005	5,832
25,950	26,000	4,953	3,896	5,339	4,166	28,950	29,000	5,793	4,346	6,179	5,006	31,950	32,000	6,633	5,086	7,019	5,846

* This column must also be used by a qualifying widow(er).

Continued on next page

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
32,000						**35,000**						**38,000**					
32,000	32,050	6,647	5,100	7,033	5,860	35,000	35,050	7,487	5,940	7,873	6,700	38,000	38,050	8,327	6,780	8,817	7,540
32,050	32,100	6,661	5,114	7,047	5,874	35,050	35,100	7,501	5,954	7,887	6,714	38,050	38,100	8,341	6,794	8,834	7,554
32,100	32,150	6,675	5,128	7,061	5,888	35,100	35,150	7,515	5,968	7,901	6,728	38,100	38,150	8,355	6,808	8,850	7,568
32,150	32,200	6,689	5,142	7,075	5,902	35,150	35,200	7,529	5,982	7,915	6,742	38,150	38,200	8,369	6,822	8,867	7,582
32,200	32,250	6,703	5,156	7,089	5,916	35,200	35,250	7,543	5,996	7,929	6,756	38,200	38,250	8,383	6,836	8,883	7,596
32,250	32,300	6,717	5,170	7,103	5,930	35,250	35,300	7,557	6,010	7,943	6,770	38,250	38,300	8,397	6,850	8,900	7,610
32,300	32,350	6,731	5,184	7,117	5,944	35,300	35,350	7,571	6,024	7,957	6,784	38,300	38,350	8,411	6,864	8,916	7,624
32,350	32,400	6,745	5,198	7,131	5,958	35,350	35,400	7,585	6,038	7,971	6,798	38,350	38,400	8,425	6,878	8,933	7,638
32,400	32,450	6,759	5,212	7,145	5,972	35,400	35,450	7,599	6,052	7,985	6,812	38,400	38,450	8,439	6,892	8,949	7,652
32,450	32,500	6,773	5,226	7,159	5,986	35,450	35,500	7,613	6,066	7,999	6,826	38,450	38,500	8,453	6,906	8,966	7,666
32,500	32,550	6,787	5,240	7,173	6,000	35,500	35,550	7,627	6,080	8,013	6,840	38,500	38,550	8,467	6,920	8,982	7,680
32,550	32,600	6,801	5,254	7,187	6,014	35,550	35,600	7,641	6,094	8,027	6,854	38,550	38,600	8,481	6,934	8,999	7,694
32,600	32,650	6,815	5,268	7,201	6,028	35,600	35,650	7,655	6,108	8,041	6,868	38,600	38,650	8,495	6,948	9,015	7,708
32,650	32,700	6,829	5,282	7,215	6,042	35,650	35,700	7,669	6,122	8,055	6,882	38,650	38,700	8,509	6,962	9,032	7,722
32,700	32,750	6,843	5,296	7,229	6,056	35,700	35,750	7,683	6,136	8,069	6,896	38,700	38,750	8,523	6,976	9,048	7,736
32,750	32,800	6,857	5,310	7,243	6,070	35,750	35,800	7,697	6,150	8,083	6,910	38,750	38,800	8,537	6,990	9,065	7,750
32,800	32,850	6,871	5,324	7,257	6,084	35,800	35,850	7,711	6,164	8,097	6,924	38,800	38,850	8,551	7,004	9,081	7,764
32,850	32,900	6,885	5,338	7,271	6,098	35,850	35,900	7,725	6,178	8,111	6,938	38,850	38,900	8,565	7,018	9,098	7,778
32,900	32,950	6,899	5,352	7,285	6,112	35,900	35,950	7,739	6,192	8,125	6,952	38,900	38,950	8,579	7,032	9,114	7,792
32,950	33,000	6,913	5,366	7,299	6,126	35,950	36,000	7,753	6,206	8,141	6,966	38,950	39,000	8,593	7,046	9,131	7,806
33,000						**36,000**						**39,000**					
33,000	33,050	6,927	5,380	7,313	6,140	36,000	36,050	7,767	6,220	8,157	6,980	39,000	39,050	8,607	7,060	9,147	7,820
33,050	33,100	6,941	5,394	7,327	6,154	36,050	36,100	7,781	6,234	8,174	6,994	39,050	39,100	8,621	7,074	9,164	7,834
33,100	33,150	6,955	5,408	7,341	6,168	36,100	36,150	7,795	6,248	8,190	7,008	39,100	39,150	8,635	7,088	9,180	7,848
33,150	33,200	6,969	5,422	7,355	6,182	36,150	36,200	7,809	6,262	8,207	7,022	39,150	39,200	8,649	7,102	9,197	7,862
33,200	33,250	6,983	5,436	7,369	6,196	36,200	36,250	7,823	6,276	8,223	7,036	39,200	39,250	8,663	7,116	9,213	7,876
33,250	33,300	6,997	5,450	7,383	6,210	36,250	36,300	7,837	6,290	8,240	7,050	39,250	39,300	8,677	7,130	9,230	7,890
33,300	33,350	7,011	5,464	7,397	6,224	36,300	36,350	7,851	6,304	8,256	7,064	39,300	39,350	8,691	7,144	9,246	7,904
33,350	33,400	7,025	5,478	7,411	6,238	36,350	36,400	7,865	6,318	8,273	7,078	39,350	39,400	8,705	7,158	9,263	7,918
33,400	33,450	7,039	5,492	7,425	6,252	36,400	36,450	7,879	6,332	8,289	7,092	39,400	39,450	8,719	7,172	9,279	7,932
33,450	33,500	7,053	5,506	7,439	6,266	36,450	36,500	7,893	6,346	8,306	7,106	39,450	39,500	8,733	7,186	9,296	7,946
33,500	33,550	7,067	5,520	7,453	6,280	36,500	36,550	7,907	6,360	8,322	7,120	39,500	39,550	8,747	7,200	9,312	7,960
33,550	33,600	7,081	5,534	7,467	6,294	36,550	36,600	7,921	6,374	8,339	7,134	39,550	39,600	8,761	7,214	9,329	7,974
33,600	33,650	7,095	5,548	7,481	6,308	36,600	36,650	7,935	6,388	8,355	7,148	39,600	39,650	8,775	7,228	9,345	7,988
33,650	33,700	7,109	5,562	7,495	6,322	36,650	36,700	7,949	6,402	8,372	7,162	39,650	39,700	8,789	7,242	9,362	8,002
33,700	33,750	7,123	5,576	7,509	6,336	36,700	36,750	7,963	6,416	8,388	7,176	39,700	39,750	8,803	7,256	9,378	8,016
33,750	33,800	7,137	5,590	7,523	6,350	36,750	36,800	7,977	6,430	8,405	7,190	39,750	39,800	8,817	7,270	9,395	8,030
33,800	33,850	7,151	5,604	7,537	6,364	36,800	36,850	7,991	6,444	8,421	7,204	39,800	39,850	8,831	7,284	9,411	8,044
33,850	33,900	7,165	5,618	7,551	6,378	36,850	36,900	8,005	6,458	8,438	7,218	39,850	39,900	8,845	7,298	9,428	8,058
33,900	33,950	7,179	5,632	7,565	6,392	36,900	36,950	8,019	6,472	8,454	7,232	39,900	39,950	8,859	7,312	9,444	8,072
33,950	34,000	7,193	5,646	7,579	6,406	36,950	37,000	8,033	6,486	8,471	7,246	39,950	40,000	8,873	7,326	9,461	8,086
34,000						**37,000**						**40,000**					
34,000	34,050	7,207	5,660	7,593	6,420	37,000	37,050	8,047	6,500	8,487	7,260	40,000	40,050	8,887	7,340	9,477	8,100
34,050	34,100	7,221	5,674	7,607	6,434	37,050	37,100	8,061	6,514	8,504	7,274	40,050	40,100	8,901	7,354	9,494	8,114
34,100	34,150	7,235	5,688	7,621	6,448	37,100	37,150	8,075	6,528	8,520	7,288	40,100	40,150	8,915	7,368	9,510	8,128
34,150	34,200	7,249	5,702	7,635	6,462	37,150	37,200	8,089	6,542	8,537	7,302	40,150	40,200	8,929	7,382	9,527	8,142
34,200	34,250	7,263	5,716	7,649	6,476	37,200	37,250	8,103	6,556	8,553	7,316	40,200	40,250	8,943	7,396	9,543	8,156
34,250	34,300	7,277	5,730	7,663	6,490	37,250	37,300	8,117	6,570	8,570	7,330	40,250	40,300	8,957	7,410	9,560	8,170
34,300	34,350	7,291	5,744	7,677	6,504	37,300	37,350	8,131	6,584	8,586	7,344	40,300	40,350	8,971	7,424	9,576	8,184
34,350	34,400	7,305	5,758	7,691	6,518	37,350	37,400	8,145	6,598	8,603	7,358	40,350	40,400	8,985	7,438	9,593	8,198
34,400	34,450	7,319	5,772	7,705	6,532	37,400	37,450	8,159	6,612	8,619	7,372	40,400	40,450	8,999	7,452	9,609	8,212
34,450	34,500	7,333	5,786	7,719	6,546	37,450	37,500	8,173	6,626	8,636	7,386	40,450	40,500	9,013	7,466	9,626	8,226
34,500	34,550	7,347	5,800	7,733	6,560	37,500	37,550	8,187	6,640	8,652	7,400	40,500	40,550	9,027	7,480	9,642	8,240
34,550	34,600	7,361	5,814	7,747	6,574	37,550	37,600	8,201	6,654	8,669	7,414	40,550	40,600	9,041	7,494	9,659	8,254
34,600	34,650	7,375	5,828	7,761	6,588	37,600	37,650	8,215	6,668	8,685	7,428	40,600	40,650	9,055	7,508	9,675	8,268
34,650	34,700	7,389	5,842	7,775	6,602	37,650	37,700	8,229	6,682	8,702	7,442	40,650	40,700	9,069	7,522	9,692	8,282
34,700	34,750	7,403	5,856	7,789	6,616	37,700	37,750	8,243	6,696	8,718	7,456	40,700	40,750	9,083	7,536	9,708	8,296
34,750	34,800	7,417	5,870	7,803	6,630	37,750	37,800	8,257	6,710	8,735	7,470	40,750	40,800	9,097	7,550	9,725	8,310
34,800	34,850	7,431	5,884	7,817	6,644	37,800	37,850	8,271	6,724	8,751	7,484	40,800	40,850	9,111	7,564	9,741	8,324
34,850	34,900	7,445	5,898	7,831	6,658	37,850	37,900	8,285	6,738	8,768	7,498	40,850	40,900	9,125	7,578	9,758	8,338
34,900	34,950	7,459	5,912	7,845	6,672	37,900	37,950	8,299	6,752	8,784	7,512	40,900	40,950	9,139	7,592	9,774	8,352
34,950	35,000	7,473	5,926	7,859	6,686	37,950	38,000	8,313	6,766	8,801	7,526	40,950	41,000	9,153	7,606	9,791	8,366

* This column must also be used by a qualifying widow(er).

Continued on next page

1988 Tax Table—*Continued*

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
41,000						**44,000**						**47,000**					
41,000	41,050	9,167	7,620	9,807	8,380	44,000	44,050	10,050	8,460	10,797	9,220	47,000	47,050	11,040	9,300	11,787	10,060
41,050	41,100	9,181	7,634	9,824	8,394	44,050	44,100	10,067	8,474	10,814	9,234	47,050	47,100	11,057	9,314	11,804	10,074
41,100	41,150	9,195	7,648	9,840	8,408	44,100	44,150	10,083	8,488	10,830	9,248	47,100	47,150	11,073	9,328	11,820	10,088
41,150	41,200	9,209	7,662	9,857	8,422	44,150	44,200	10,100	8,502	10,847	9,262	47,150	47,200	11,090	9,342	11,837	10,102
41,200	41,250	9,223	7,676	9,873	8,436	44,200	44,250	10,116	8,516	10,863	9,276	47,200	47,250	11,106	9,356	11,853	10,116
41,250	41,300	9,237	7,690	9,890	8,450	44,250	44,300	10,133	8,530	10,880	9,290	47,250	47,300	11,123	9,370	11,870	10,130
41,300	41,350	9,251	7,704	9,906	8,464	44,300	44,350	10,149	8,544	10,896	9,304	47,300	47,350	11,139	9,384	11,886	10,144
41,350	41,400	9,265	7,718	9,923	8,478	44,350	44,400	10,166	8,558	10,913	9,318	47,350	47,400	11,156	9,398	11,903	10,158
41,400	41,450	9,279	7,732	9,939	8,492	44,400	44,450	10,182	8,572	10,929	9,332	47,400	47,450	11,172	9,412	11,919	10,172
41,450	41,500	9,293	7,746	9,956	8,506	44,450	44,500	10,199	8,586	10,946	9,346	47,450	47,500	11,189	9,426	11,936	10,186
41,500	41,550	9,307	7,760	9,972	8,520	44,500	44,550	10,215	8,600	10,962	9,360	47,500	47,550	11,205	9,440	11,952	10,200
41,550	41,600	9,321	7,774	9,989	8,534	44,550	44,600	10,232	8,614	10,979	9,374	47,550	47,600	11,222	9,454	11,969	10,214
41,600	41,650	9,335	7,788	10,005	8,548	44,600	44,650	10,248	8,628	10,995	9,388	47,600	47,650	11,238	9,468	11,985	10,228
41,650	41,700	9,349	7,802	10,022	8,562	44,650	44,700	10,265	8,642	11,012	9,402	47,650	47,700	11,255	9,482	12,002	10,242
41,700	41,750	9,363	7,816	10,038	8,576	44,700	44,750	10,281	8,656	11,028	9,416	47,700	47,750	11,271	9,496	12,018	10,256
41,750	41,800	9,377	7,830	10,055	8,590	44,750	44,800	10,298	8,670	11,045	9,430	47,750	47,800	11,288	9,510	12,035	10,270
41,800	41,850	9,391	7,844	10,071	8,604	44,800	44,850	10,314	8,684	11,061	9,444	47,800	47,850	11,304	9,524	12,051	10,284
41,850	41,900	9,405	7,858	10,088	8,618	44,850	44,900	10,331	8,698	11,078	9,458	47,850	47,900	11,321	9,538	12,068	10,298
41,900	41,950	9,419	7,872	10,104	8,632	44,900	44,950	10,347	8,712	11,094	9,472	47,900	47,950	11,337	9,552	12,084	10,312
41,950	42,000	9,433	7,886	10,121	8,646	44,950	45,000	10,364	8,726	11,111	9,486	47,950	48,000	11,354	9,566	12,101	10,326
42,000						**45,000**						**48,000**					
42,000	42,050	9,447	7,900	10,137	8,660	45,000	45,050	10,380	8,740	11,127	9,500	48,000	48,050	11,370	9,580	12,117	10,340
42,050	42,100	9,461	7,914	10,154	8,674	45,050	45,100	10,397	8,754	11,144	9,514	48,050	48,100	11,387	9,594	12,134	10,354
42,100	42,150	9,475	7,928	10,170	8,688	45,100	45,150	10,413	8,768	11,160	9,528	48,100	48,150	11,403	9,608	12,150	10,368
42,150	42,200	9,489	7,942	10,187	8,702	45,150	45,200	10,430	8,782	11,177	9,542	48,150	48,200	11,420	9,622	12,167	10,382
42,200	42,250	9,503	7,956	10,203	8,716	45,200	45,250	10,446	8,796	11,193	9,556	48,200	48,250	11,436	9,636	12,183	10,396
42,250	42,300	9,517	7,970	10,220	8,730	45,250	45,300	10,463	8,810	11,210	9,570	48,250	48,300	11,453	9,650	12,200	10,410
42,300	42,350	9,531	7,984	10,236	8,744	45,300	45,350	10,479	8,824	11,226	9,584	48,300	48,350	11,469	9,664	12,216	10,424
42,350	42,400	9,545	7,998	10,253	8,758	45,350	45,400	10,496	8,838	11,243	9,598	48,350	48,400	11,486	9,678	12,233	10,438
42,400	42,450	9,559	8,012	10,269	8,772	45,400	45,450	10,512	8,852	11,259	9,612	48,400	48,450	11,502	9,692	12,249	10,452
42,450	42,500	9,573	8,026	10,286	8,786	45,450	45,500	10,529	8,866	11,276	9,626	48,450	48,500	11,519	9,706	12,266	10,466
42,500	42,550	9,587	8,040	10,302	8,800	45,500	45,550	10,545	8,880	11,292	9,640	48,500	48,550	11,535	9,720	12,282	10,480
42,550	42,600	9,601	8,054	10,319	8,814	45,550	45,600	10,562	8,894	11,309	9,654	48,550	48,600	11,552	9,734	12,299	10,494
42,600	42,650	9,615	8,068	10,335	8,828	45,600	45,650	10,578	8,908	11,325	9,668	48,600	48,650	11,568	9,748	12,315	10,508
42,650	42,700	9,629	8,082	10,352	8,842	45,650	45,700	10,595	8,922	11,342	9,682	48,650	48,700	11,585	9,762	12,332	10,522
42,700	42,750	9,643	8,096	10,368	8,856	45,700	45,750	10,611	8,936	11,358	9,696	48,700	48,750	11,601	9,776	12,348	10,536
42,750	42,800	9,657	8,110	10,385	8,870	45,750	45,800	10,628	8,950	11,375	9,710	48,750	48,800	11,618	9,790	12,365	10,550
42,800	42,850	9,671	8,124	10,401	8,884	45,800	45,850	10,644	8,964	11,391	9,724	48,800	48,850	11,634	9,804	12,381	10,564
42,850	42,900	9,685	8,138	10,418	8,898	45,850	45,900	10,661	8,978	11,408	9,738	48,850	48,900	11,651	9,818	12,398	10,578
42,900	42,950	9,699	8,152	10,434	8,912	45,900	45,950	10,677	8,992	11,424	9,752	48,900	48,950	11,667	9,832	12,414	10,592
42,950	43,000	9,713	8,166	10,451	8,926	45,950	46,000	10,694	9,006	11,441	9,766	48,950	49,000	11,684	9,846	12,431	10,606
43,000						**46,000**						**49,000**					
43,000	43,050	9,727	8,180	10,467	8,940	46,000	46,050	10,710	9,020	11,457	9,780	49,000	49,050	11,700	9,860	12,447	10,620
43,050	43,100	9,741	8,194	10,484	8,954	46,050	46,100	10,727	9,034	11,474	9,794	49,050	49,100	11,717	9,874	12,464	10,634
43,100	43,150	9,755	8,208	10,500	8,968	46,100	46,150	10,743	9,048	11,490	9,808	49,100	49,150	11,733	9,888	12,480	10,648
43,150	43,200	9,770	8,222	10,517	8,982	46,150	46,200	10,760	9,062	11,507	9,822	49,150	49,200	11,750	9,902	12,497	10,662
43,200	43,250	9,786	8,236	10,533	8,996	46,200	46,250	10,776	9,076	11,523	9,836	49,200	49,250	11,766	9,916	12,513	10,676
43,250	43,300	9,803	8,250	10,550	9,010	46,250	46,300	10,793	9,090	11,540	9,850	49,250	49,300	11,783	9,930	12,530	10,690
43,300	43,350	9,819	8,264	10,566	9,024	46,300	46,350	10,809	9,104	11,556	9,864	49,300	49,350	11,799	9,944	12,546	10,704
43,350	43,400	9,836	8,278	10,583	9,038	46,350	46,400	10,826	9,118	11,573	9,878	49,350	49,400	11,816	9,958	12,563	10,718
43,400	43,450	9,852	8,292	10,599	9,052	46,400	46,450	10,842	9,132	11,589	9,892	49,400	49,450	11,832	9,972	12,579	10,732
43,450	43,500	9,869	8,306	10,616	9,066	46,450	46,500	10,859	9,146	11,606	9,906	49,450	49,500	11,849	9,986	12,596	10,746
43,500	43,550	9,885	8,320	10,632	9,080	46,500	46,550	10,875	9,160	11,622	9,920	49,500	49,550	11,865	10,000	12,612	10,760
43,550	43,600	9,902	8,334	10,649	9,094	46,550	46,600	10,892	9,174	11,639	9,934	49,550	49,600	11,882	10,014	12,629	10,774
43,600	43,650	9,918	8,348	10,665	9,108	46,600	46,650	10,908	9,188	11,655	9,948	49,600	49,650	11,898	10,028	12,645	10,788
43,650	43,700	9,935	8,362	10,682	9,122	46,650	46,700	10,925	9,202	11,672	9,962	49,650	49,700	11,915	10,042	12,662	10,802
43,700	43,750	9,951	8,376	10,698	9,136	46,700	46,750	10,941	9,216	11,688	9,976	49,700	49,750	11,931	10,056	12,678	10,816
43,750	43,800	9,968	8,390	10,715	9,150	46,750	46,800	10,958	9,230	11,705	9,990	49,750	49,800	11,948	10,070	12,695	10,830
43,800	43,850	9,984	8,404	10,731	9,164	46,800	46,850	10,974	9,244	11,721	10,004	49,800	49,850	11,964	10,084	12,711	10,844
43,850	43,900	10,001	8,418	10,748	9,178	46,850	46,900	10,991	9,258	11,738	10,018	49,850	49,900	11,981	10,098	12,728	10,858
43,900	43,950	10,017	8,432	10,764	9,192	46,900	46,950	11,007	9,272	11,754	10,032	49,900	49,950	11,997	10,112	12,744	10,872
43,950	44,000	10,034	8,446	10,781	9,206	46,950	47,000	11,024	9,286	11,771	10,046	49,950	50,000	12,014	10,126	12,761	10,886

* This column must also be used by a qualifying widow(er).

50,000 or over—use tax rate schedules

1988 Tax Rate Schedules

Caution: *Use ONLY if your taxable income (Form 1040, line 37) is $50,000 or more. If less, use the* ***Tax Table.***

Schedule X—Use if your filing status is **Single**

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$17,850	15%	$0
17,850	43,150	$2,677.50 + 28%	17,850
43,150	89,560	9,761.50 + 33%	43,150
89,560		Use **Worksheet** below to figure your tax	

Schedule Y-1—Use if your filing status is **Married filing jointly or Qualifying widow(er)**

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$29,750	15%	$0
29,750	71,900	$4,462.50 + 28%	29,750
71,900	149,250	16,264.50 + 33%	71,900
149,250		Use **Worksheet** below to figure your tax	

Schedule Z—Use if your filing status is **Head of household**

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$23,900	15%	$0
23,900	61,650	$3,585 + 28%	23,900
61,650	123,790	14,155 + 33%	61,650
123,790		Use **Worksheet** below to figure your tax.	

Schedule Y-2—Use if your filing status is **Married filing separately**

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
$0	$14,875	15%	$0
14,875	35,950	$2,231.25 + 28%	14,875
35,950	113,300	8,132.25 + 33%	35,950
113,300		Use **Worksheet** below to figure your tax.	

Worksheet (Keep for your records)

1	If your filing status is: Single, enter $25,076.80; Head of household, enter $34,661.20; Married filing jointly or Qualifying widow(er), enter $41,790.00; Married filing separately, enter $33,657.75		1.
2.	Enter your taxable income from Form 1040, line 37	2.	
3	If your filing status is: Single, enter $89,560; Head of household, enter $123,790; Married filing jointly or Qualifying widow(er), enter $149,250; Married filing separately, enter $113,300	3.	
4.	Subtract line 3 from line 2. Enter the result. (If the result is zero or less, use the schedule above for your filing status to figure your tax. DO NOT use this worksheet.)	4.	
5.	Multiply the amount on line 4 by 28% (.28). Enter the result		5.
6.	Multiply the amount on line 4 by 5% (.05). Enter the result	6.	
7.	Multiply $546 by the number of exemptions claimed on Form 1040, line 6e. (If married filing separately, see the **Caution** below.) Enter the result	7.	
8.	Compare the amounts on lines 6 and 7. Enter the **smaller** of the two amounts		8.
9.	**Tax.** Add lines 1, 5, and 8. Enter the total here and on Form 1040, line 38		9.

Caution: *Pending legislation would require married persons filing separately who did* ***not*** *claim an exemption for their spouse to add $546 to the result otherwise figured on line 7 above. Get* ***Pub. 553,*** *Highlights of 1988 Tax Changes, to find out whether this law was passed.*

1988 Earned Income Credit Table

Caution: *This Is Not a Tax Table*

To find your earned income credit: Read down the column titled "If line 3 or 4 of the worksheet is—" and find the appropriate amount from the Earned Income Credit Worksheet on page 20. Read across to the right and find the amount of the income credit. Enter that amount on line 5 or 6 of the worksheet, whichever applies.

If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
$1	$25	$2	$1,600	$1,625	$226	$3,200	$3,225	$450	$4,800	$4,825	$674	$10,000	$10,025	$857
25	50	5	1,625	1,650	229	3,225	3,250	453	4,825	4,850	677	10,025	10,050	854
50	75	9	1,650	1,675	233	3,250	3,275	457	4,850	4,875	681	10,050	10,075	852
75	100	12	1,675	1,700	236	3,275	3,300	460	4,875	4,900	684	10,075	10,100	849
100	125	16	1,700	1,725	240	3,300	3,325	464	4,900	4,925	688	10,100	10,125	847
125	150	19	1,725	1,750	243	3,325	3,350	467	4,925	4,950	691	10,125	10,150	844
150	175	23	1,750	1,775	247	3,350	3,375	471	4,950	4,975	695	10,150	10,175	842
175	200	26	1,775	1,800	250	3,375	3,400	474	4,975	5,000	698	10,175	10,200	839
200	225	30	1,800	1,825	254	3,400	3,425	478	5,000	5,025	702	10,200	10,225	837
225	250	33	1,825	1,850	257	3,425	3,450	481	5,025	5,050	705	10,225	10,250	834
250	275	37	1,850	1,875	261	3,450	3,475	485	5,050	5,075	709	10,250	10,275	832
275	300	40	1,875	1,900	264	3,475	3,500	488	5,075	5,100	712	10,275	10,300	829
300	325	44	1,900	1,925	268	3,500	3,525	492	5,100	5,125	716	10,300	10,325	827
325	350	47	1,925	1,950	271	3,525	3,550	495	5,125	5,150	719	10,325	10,350	824
350	375	51	1,950	1,975	275	3,550	3,575	499	5,150	5,175	723	10,350	10,375	822
375	400	54	1,975	2,000	278	3,575	3,600	502	5,175	5,200	726	10,375	10,400	819
400	425	58	2,000	2,025	282	3,600	3,625	506	5,200	5,225	730	10,400	10,425	817
425	450	61	2,025	2,050	285	3,625	3,650	509	5,225	5,250	733	10,425	10,450	814
450	475	65	2,050	2,075	289	3,650	3,675	513	5,250	5,275	737	10,450	10,475	812
475	500	68	2,075	2,100	292	3,675	3,700	516	5,275	5,300	740	10,475	10,500	809
500	525	72	2,100	2,125	296	3,700	3,725	520	5,300	5,325	744	10,500	10,525	807
525	550	75	2,125	2,150	299	3,725	3,750	523	5,325	5,350	747	10,525	10,550	804
550	575	79	2,150	2,175	303	3,750	3,775	527	5,350	5,375	751	10,550	10,575	802
575	600	82	2,175	2,200	306	3,775	3,800	530	5,375	5,400	754	10,575	10,600	799
600	625	86	2,200	2,225	310	3,800	3,825	534	5,400	5,425	758	10,600	10,625	797
625	650	89	2,225	2,250	313	3,825	3,850	537	5,425	5,450	761	10,625	10,650	794
650	675	93	2,250	2,275	317	3,850	3,875	541	5,450	5,475	765	10,650	10,675	792
675	700	96	2,275	2,300	320	3,875	3,900	544	5,475	5,500	768	10,675	10,700	789
700	725	100	2,300	2,325	324	3,900	3,925	548	5,500	5,525	772	10,700	10,725	787
725	750	103	2,325	2,350	327	3,925	3,950	551	5,525	5,550	775	10,725	10,750	784
750	775	107	2,350	2,375	331	3,950	3,975	555	5,550	5,575	779	10,750	10,775	782
775	800	110	2,375	2,400	334	3,975	4,000	558	5,575	5,600	782	10,775	10,800	779
800	825	114	2,400	2,425	338	4,000	4,025	562	5,600	5,625	786	10,800	10,825	777
825	850	117	2,425	2,450	341	4,025	4,050	565	5,625	5,650	789	10,825	10,850	774
850	875	121	2,450	2,475	345	4,050	4,075	569	5,650	5,675	793	10,850	10,875	772
875	900	124	2,475	2,500	348	4,075	4,100	572	5,675	5,700	796	10,875	10,900	769
900	925	128	2,500	2,525	352	4,100	4,125	576	5,700	5,725	800	10,900	10,925	767
925	950	131	2,525	2,550	355	4,125	4,150	579	5,725	5,750	803	10,925	10,950	764
950	975	135	2,550	2,575	359	4,150	4,175	583	5,750	5,775	807	10,950	10,975	762
975	1,000	138	2,575	2,600	362	4,175	4,200	586	5,775	5,800	810	10,975	11,000	759
1,000	1,025	142	2,600	2,625	366	4,200	4,225	590	5,800	5,825	814	11,000	11,025	757
1,025	1,050	145	2,625	2,650	369	4,225	4,250	593	5,825	5,850	817	11,025	11,050	754
1,050	1,075	149	2,650	2,675	373	4,250	4,275	597	5,850	5,875	821	11,050	11,075	752
1,075	1,100	152	2,675	2,700	376	4,275	4,300	600	5,875	5,900	824	11,075	11,100	749
1,100	1,125	156	2,700	2,725	380	4,300	4,325	604	5,900	5,925	828	11,100	11,125	747
1,125	1,150	159	2,725	2,750	383	4,325	4,350	607	5,925	5,950	831	11,125	11,150	744
1,150	1,175	163	2,750	2,775	387	4,350	4,375	611	5,950	5,975	835	11,150	11,175	742
1,175	1,200	166	2,775	2,800	390	4,375	4,400	614	5,975	6,000	838	11,175	11,200	739
1,200	1,225	170	2,800	2,825	394	4,400	4,425	618	6,000	6,025	842	11,200	11,225	737
1,225	1,250	173	2,825	2,850	397	4,425	4,450	621	6,025	6,050	845	11,225	11,250	734
1,250	1,275	177	2,850	2,875	401	4,450	4,475	625	6,050	6,075	849	11,250	11,275	732
1,275	1,300	180	2,875	2,900	404	4,475	4,500	628	6,075	6,100	852	11,275	11,300	729
1,300	1,325	184	2,900	2,925	408	4,500	4,525	632	6,100	6,125	856	11,300	11,325	727
1,325	1,350	187	2,925	2,950	411	4,525	4,550	635	6,125	6,150	859	11,325	11,350	724
1,350	1,375	191	2,950	2,975	415	4,550	4,575	639	6,150	6,175	863	11,350	11,375	722
1,375	1,400	194	2,975	3,000	418	4,575	4,600	642	6,175	6,200	866	11,375	11,400	719
1,400	1,425	198	3,000	3,025	422	4,600	4,625	646	6,200	6,225	870	11,400	11,425	717
1,425	1,450	201	3,025	3,050	425	4,625	4,650	649	6,225	9,850	874	11,425	11,450	714
1,450	1,475	205	3,050	3,075	429	4,650	4,675	653	9,850	9,875	872	11,450	11,475	712
1,475	1,500	208	3,075	3,100	432	4,675	4,700	656	9,875	9,900	869	11,475	11,500	709
1,500	1,525	212	3,100	3,125	436	4,700	4,725	660	9,900	9,925	867	11,500	11,525	707
1,525	1,550	215	3,125	3,150	439	4,725	4,750	663	9,925	9,950	864	11,525	11,550	704
1,550	1,575	219	3,150	3,175	443	4,750	4,775	667	9,950	9,975	862	11,550	11,575	702
1,575	1,600	222	3,175	3,200	446	4,775	4,800	670	9,975	10,000	859	11,575	11,600	699

1988 Earned Income Credit Table *(continued)*

If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
$11,600	$11,625	$697	$13,000	$13,025	$557	$14,400	$14,425	$417	$15,800	$15,825	$277	$17,200	$17,225	$137
11,625	11,650	694	13,025	13,050	554	14,425	14,450	414	15,825	15,850	274	17,225	17,250	134
11,650	11,675	692	13,050	13,075	552	14,450	14,475	412	15,850	15,875	272	17,250	17,275	132
11,675	11,700	689	13,075	13,100	549	14,475	14,500	409	15,875	15,900	269	17,275	17,300	129
11,700	11,725	687	13,100	13,125	547	14,500	14,525	407	15,900	15,925	267	17,300	17,325	127
11,725	11,750	684	13,125	13,150	544	14,525	14,550	404	15,925	15,950	264	17,325	17,350	124
11,750	11,775	682	13,150	13,175	542	14,550	14,575	402	15,950	15,975	262	17,350	17,375	122
11,775	11,800	679	13,175	13,200	539	14,575	14,600	399	15,975	16,000	259	17,375	17,400	119
11,800	11,825	677	13,200	13,225	537	14,600	14,625	397	16,000	16,025	257	17,400	17,425	117
11,825	11,850	674	13,225	13,250	534	14,625	14,650	394	16,025	16,050	254	17,425	17,450	114
11,850	11,875	672	13,250	13,275	532	14,650	14,675	392	16,050	16,075	252	17,450	17,475	112
11,875	11,900	669	13,275	13,300	529	14,675	14,700	389	16,075	16,100	249	17,475	17,500	109
11,900	11,925	667	13,300	13,325	527	14,700	14,725	387	16,100	16,125	247	17,500	17,525	107
11,925	11,950	664	13,325	13,350	524	14,725	14,750	384	16,125	16,150	244	17,525	17,550	104
11,950	11,975	662	13,350	13,375	522	14,750	14,775	382	16,150	16,175	242	17,550	17,575	102
11,975	12,000	659	13,375	13,400	519	14,775	14,800	379	16,175	16,200	239	17,575	17,600	99
12,000	12,025	657	13,400	13,425	517	14,800	14,825	377	16,200	16,225	237	17,600	17,625	97
12,025	12,050	654	13,425	13,450	514	14,825	14,850	374	16,225	16,250	234	17,625	17,650	94
12,050	12,075	652	13,450	13,475	512	14,850	14,875	372	16,250	16,275	232	17,650	17,675	92
12,075	12,100	649	13,475	13,500	509	14,875	14,900	369	16,275	16,300	229	17,675	17,700	89
12,100	12,125	647	13,500	13,525	507	14,900	14,925	367	16,300	16,325	227	17,700	17,725	87
12,125	12,150	644	13,525	13,550	504	14,925	14,950	364	16,325	16,350	224	17,725	17,750	84
12,150	12,175	642	13,550	13,575	502	14,950	14,975	362	16,350	16,375	222	17,750	17,775	82
12,175	12,200	639	13,575	13,600	499	14,975	15,000	359	16,375	16,400	219	17,775	17,800	79
12,200	12,225	637	13,600	13,625	497	15,000	15,025	357	16,400	16,425	217	17,800	17,825	77
12,225	12,250	634	13,625	13,650	494	15,025	15,050	354	16,425	16,450	214	17,825	17,850	74
12,250	12,275	632	13,650	13,675	492	15,050	15,075	352	16,450	16,475	212	17,850	17,875	72
12,275	12,300	629	13,675	13,700	489	15,075	15,100	349	16,475	16,500	209	17,875	17,900	69
12,300	12,325	627	13,700	13,725	487	15,100	15,125	347	16,500	16,525	207	17,900	17,925	67
12,325	12,350	624	13,725	13,750	484	15,125	15,150	344	16,525	16,550	204	17,925	17,950	64
12,350	12,375	622	13,750	13,775	482	15,150	15,175	342	16,550	16,575	202	17,950	17,975	62
12,375	12,400	619	13,775	13,800	479	15,175	15,200	339	16,575	16,600	199	17,975	18,000	59
12,400	12,425	617	13,800	13,825	477	15,200	15,225	337	16,600	16,625	197	18,000	18,025	57
12,425	12,450	614	13,825	13,850	474	15,225	15,250	334	16,625	16,650	194	18,025	18,050	54
12,450	12,475	612	13,850	13,875	472	15,250	15,275	332	16,650	16,675	192	18,050	18,075	52
12,475	12,500	609	13,875	13,900	469	15,275	15,300	329	16,675	16,700	189	18,075	18,100	49
12,500	12,525	607	13,900	13,925	467	15,300	15,325	327	16,700	16,725	187	18,100	18,125	47
12,525	12,550	604	13,925	13,950	464	15,325	15,350	324	16,725	16,750	184	18,125	18,150	44
12,550	12,575	602	13,950	13,975	462	15,350	15,375	322	16,750	16,775	182	18,150	18,175	42
12,575	12,600	599	13,975	14,000	459	15,375	15,400	319	16,775	16,800	179	18,175	18,200	39
12,600	12,625	597	14,000	14,025	457	15,400	15,425	317	16,800	16,825	177	18,200	18,225	37
12,625	12,650	594	14,025	14,050	454	15,425	15,450	314	16,825	16,850	174	18,225	18,250	34
12,650	12,675	592	14,050	14,075	452	15,450	15,475	312	16,850	16,875	172	18,250	18,275	32
12,675	12,700	589	14,075	14,100	449	15,475	15,500	309	16,875	16,900	169	18,275	18,300	29
12,700	12,725	587	14,100	14,125	447	15,500	15,525	307	16,900	16,925	167	18,300	18,325	27
12,725	12,750	584	14,125	14,150	444	15,525	15,550	304	16,925	16,950	164	18,325	18,350	24
12,750	12,775	582	14,150	14,175	442	15,550	15,575	302	16,950	16,975	162	18,350	18,375	22
12,775	12,800	579	14,175	14,200	439	15,575	15,600	299	16,975	17,000	159	18,375	18,400	19
12,800	12,825	577	14,200	14,225	437	15,600	15,625	297	17,000	17,025	157	18,400	18,425	17
12,825	12,850	574	14,225	14,250	434	15,625	15,650	294	17,025	17,050	154	18,425	18,450	14
12,850	12,875	572	14,250	14,275	432	15,650	15,675	292	17,050	17,075	152	18,450	18,475	12
12,875	12,900	569	14,275	14,300	429	15,675	15,700	289	17,075	17,100	149	18,475	18,500	9
12,900	12,925	567	14,300	14,325	427	15,700	15,725	287	17,100	17,125	147	18,500	18,525	7
12,925	12,950	564	14,325	14,350	424	15,725	15,750	284	17,125	17,150	144	18,525	18,550	4
12,950	12,975	562	14,350	14,375	422	15,750	15,775	282	17,150	17,175	142	18,550	18,575	2
12,975	13,000	559	14,375	14,400	419	15,775	15,800	279	17,175	17,200	139	18,575	18,576	1

$18,576 or more—you cannot take the credit

Section 4—1988 Tax Table

For persons with taxable incomes of less than $50,000

Example: Mr. and Mrs. Green are filing a joint return. Their taxable income on line 19 of Form 1040A is $23,250. First, they find the $23,250–23,300 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is $3,491. This is the tax amount they must write on line 20 of Form 1040A.

If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—			
At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
23,200	23,250	4,183	3,484	4,569	3,484
23,250	23,300	4,197	3,491	4,583	3,491
23,300	23,350	4,211	3,499	4,597	3,499
23,350	23,400	4,225	3,506	4,611	3,506

If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—			
At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
$0	$5	$0	$0	$0	$0
5	15	2	2	2	2
15	25	3	3	3	3
25	50	6	6	6	6
50	75	9	9	9	9
75	100	13	13	13	13
100	125	17	17	17	17
125	150	21	21	21	21
150	175	24	24	24	24
175	200	28	28	28	28
200	225	32	32	32	32
225	250	36	36	36	36
250	275	39	39	39	39
275	300	43	43	43	43
300	325	47	47	47	47
325	350	51	51	51	51
350	375	54	54	54	54
375	400	58	58	58	58
400	425	62	62	62	62
425	450	66	66	66	66
450	475	69	69	69	69
475	500	73	73	73	73
500	525	77	77	77	77
525	550	81	81	81	81
550	575	84	84	84	84
575	600	88	88	88	88
600	625	92	92	92	92
625	650	96	96	96	96
650	675	99	99	99	99
675	700	103	103	103	103
700	725	107	107	107	107
725	750	111	111	111	111
750	775	114	114	114	114
775	800	118	118	118	118
800	825	122	122	122	122
825	850	126	126	126	126
850	875	129	129	129	129
875	900	133	133	133	133
900	925	137	137	137	137
925	950	141	141	141	141
950	975	144	144	144	144
975	1,000	148	148	148	148
1,000					
1,000	1,025	152	152	152	152
1,025	1,050	156	156	156	156
1,050	1,075	159	159	159	159
1,075	1,100	163	163	163	163
1,100	1,125	167	167	167	167
1,125	1,150	171	171	171	171
1,150	1,175	174	174	174	174
1,175	1,200	178	178	178	178
1,200	1,225	182	182	182	182
1,225	1,250	186	186	186	186
1,250	1,275	189	189	189	189
1,275	1,300	193	193	193	193
1,300	1,325	197	197	197	197
1,325	1,350	201	201	201	201
1,350	1,375	204	204	204	204
1,375	1,400	208	208	208	208
1,400	1,425	212	212	212	212
1,425	1,450	216	216	216	216
1,450	1,475	219	219	219	219
1,475	1,500	223	223	223	223
1,500	1,525	227	227	227	227
1,525	1,550	231	231	231	231
1,550	1,575	234	234	234	234
1,575	1,600	238	238	238	238
1,600	1,625	242	242	242	242
1,625	1,650	246	246	246	246
1,650	1,675	249	249	249	249
1,675	1,700	253	253	253	253
1,700	1,725	257	257	257	257
1,725	1,750	261	261	261	261
1,750	1,775	264	264	264	264
1,775	1,800	268	268	268	268
1,800	1,825	272	272	272	272
1,825	1,850	276	276	276	276
1,850	1,875	279	279	279	279
1,875	1,900	283	283	283	283
1,900	1,925	287	287	287	287
1,925	1,950	291	291	291	291
1,950	1,975	294	294	294	294
1,975	2,000	298	298	298	298
2,000					
2,000	2,025	302	302	302	302
2,025	2,050	306	306	306	306
2,050	2,075	309	309	309	309
2,075	2,100	313	313	313	313
2,100	2,125	317	317	317	317
2,125	2,150	321	321	321	321
2,150	2,175	324	324	324	324
2,175	2,200	328	328	328	328
2,200	2,225	332	332	332	332
2,225	2,250	336	336	336	336
2,250	2,275	339	339	339	339
2,275	2,300	343	343	343	343
2,300	2,325	347	347	347	347
2,325	2,350	351	351	351	351
2,350	2,375	354	354	354	354
2,375	2,400	358	358	358	358
2,400	2,425	362	362	362	362
2,425	2,450	366	366	366	366
2,450	2,475	369	369	369	369
2,475	2,500	373	373	373	373
2,500	2,525	377	377	377	377
2,525	2,550	381	381	381	381
2,550	2,575	384	384	384	384
2,575	2,600	388	388	388	388
2,600	2,625	392	392	392	392
2,625	2,650	396	396	396	396
2,650	2,675	399	399	399	399
2,675	2,700	403	403	403	403
2,700	2,725	407	407	407	407
2,725	2,750	411	411	411	411
2,750	2,775	414	414	414	414
2,775	2,800	418	418	418	418
2,800	2,825	422	422	422	422
2,825	2,850	426	426	426	426
2,850	2,875	429	429	429	429
2,875	2,900	433	433	433	433
2,900	2,925	437	437	437	437
2,925	2,950	441	441	441	441
2,950	2,975	444	444	444	444
2,975	3,000	448	448	448	448
3,000					
3,000	3,050	454	454	454	454
3,050	3,100	461	461	461	461
3,100	3,150	469	469	469	469
3,150	3,200	476	476	476	476
3,200	3,250	484	484	484	484
3,250	3,300	491	491	491	491
3,300	3,350	499	499	499	499
3,350	3,400	506	506	506	506
3,400	3,450	514	514	514	514
3,450	3,500	521	521	521	521
3,500	3,550	529	529	529	529
3,550	3,600	536	536	536	536
3,600	3,650	544	544	544	544
3,650	3,700	551	551	551	551
3,700	3,750	559	559	559	559
3,750	3,800	566	566	566	566
3,800	3,850	574	574	574	574
3,850	3,900	581	581	581	581
3,900	3,950	589	589	589	589
3,950	4,000	596	596	596	596
4,000					
4,000	4,050	604	604	604	604
4,050	4,100	611	611	611	611
4,100	4,150	619	619	619	619
4,150	4,200	626	626	626	626
4,200	4,250	634	634	634	634
4,250	4,300	641	641	641	641
4,300	4,350	649	649	649	649
4,350	4,400	656	656	656	656
4,400	4,450	664	664	664	664
4,450	4,500	671	671	671	671
4,500	4,550	679	679	679	679
4,550	4,600	686	686	686	686
4,600	4,650	694	694	694	694
4,650	4,700	701	701	701	701
4,700	4,750	709	709	709	709
4,750	4,800	716	716	716	716
4,800	4,850	724	724	724	724
4,850	4,900	731	731	731	731
4,900	4,950	739	739	739	739
4,950	5,000	746	746	746	746

* This column must also be used by a qualifying widow(er)

Continued on next page

1988 Tax Table—*Continued*

If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—			
At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a house hold	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a house hold	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a house hold
		Your tax is—						Your tax is—						Your tax is—			
5,000						8,000						11,000					
5,000	5,050	754	754	754	754	8,000	8,050	1,204	1,204	1,204	1,204	11,000	11,050	1,654	1,654	1,654	1,654
5,050	5,100	761	761	761	761	8,050	8,100	1,211	1,211	1,211	1,211	11,050	11,100	1,661	1,661	1,661	1,661
5,100	5,150	769	769	769	769	8,100	8,150	1,219	1,219	1,219	1,219	11,100	11,150	1,669	1,669	1,669	1,669
5,150	5,200	776	776	776	776	8,150	8,200	1,226	1,226	1,226	1,226	11,150	11,200	1,676	1,676	1,676	1,676
5,200	5,250	784	784	784	784	8,200	8,250	1,234	1,234	1,234	1,234	11,200	11,250	1,684	1,684	1,684	1,684
5,250	5,300	791	791	791	791	8,250	8,300	1,241	1,241	1,241	1,241	11,250	11,300	1,691	1,691	1,691	1,691
5,300	5,350	799	799	799	799	8,300	8,350	1,249	1,249	1,249	1,249	11,300	11,350	1,699	1,699	1,699	1,699
5,350	5,400	806	806	806	806	8,350	8,400	1,256	1,256	1,256	1,256	11,350	11,400	1,706	1,706	1,706	1,706
5,400	5,450	814	814	814	814	8,400	8,450	1,264	1,264	1,264	1,264	11,400	11,450	1,714	1,714	1,714	1,714
5,450	5,500	821	821	821	821	8,450	8,500	1,271	1,271	1,271	1,271	11,450	11,500	1,721	1,721	1,721	1,721
5,500	5,550	829	829	829	829	8,500	8,550	1,279	1,279	1,279	1,279	11,500	11,550	1,729	1,729	1,729	1,729
5,550	5,600	836	836	836	836	8,550	8,600	1,286	1,286	1,286	1,286	11,550	11,600	1,736	1,736	1,736	1,736
5,600	5,650	844	844	844	844	8,600	8,650	1,294	1,294	1,294	1,294	11,600	11,650	1,744	1,744	1,744	1,744
5,650	5,700	851	851	851	851	8,650	8,700	1,301	1,301	1,301	1,301	11,650	11,700	1,751	1,751	1,751	1,751
5,700	5,750	859	859	859	859	8,700	8,750	1,309	1,309	1,309	1,309	11,700	11,750	1,759	1,759	1,759	1,759
5,750	5,800	866	866	866	866	8,750	8,800	1,316	1,316	1,316	1,316	11,750	11,800	1,766	1,766	1,766	1,766
5,800	5,850	874	874	874	874	8,800	8,850	1,324	1,324	1,324	1,324	11,800	11,850	1,774	1,774	1,774	1,774
5,850	5,900	881	881	881	881	8,850	8,900	1,331	1,331	1,331	1,331	11,850	11,900	1,781	1,781	1,781	1,781
5,900	5,950	889	889	889	889	8,900	8,950	1,339	1,339	1,339	1,339	11,900	11,950	1,789	1,789	1,789	1,789
5,950	6,000	896	896	896	896	8,950	9,000	1,346	1,346	1,346	1,346	11,950	12,000	1,796	1,796	1,796	1,796
6,000						9,000						12,000					
6,000	6,050	904	904	904	904	9,000	9,050	1,354	1,354	1,354	1,354	12,000	12,050	1,804	1,804	1,804	1,804
6,050	6,100	911	911	911	911	9,050	9,100	1,361	1,361	1,361	1,361	12,050	12,100	1,811	1,811	1,811	1,811
6,100	6,150	919	919	919	919	9,100	9,150	1,369	1,369	1,369	1,369	12,100	12,150	1,819	1,819	1,819	1,819
6,150	6,200	926	926	926	926	9,150	9,200	1,376	1,376	1,376	1,376	12,150	12,200	1,826	1,826	1,826	1,826
6,200	6,250	934	934	934	934	9,200	9,250	1,384	1,384	1,384	1,384	12,200	12,250	1,834	1,834	1,834	1,834
6,250	6,300	941	941	941	941	9,250	9,300	1,391	1,391	1,391	1,391	12,250	12,300	1,841	1,841	1,841	1,841
6,300	6,350	949	949	949	949	9,300	9,350	1,399	1,399	1,399	1,399	12,300	12,350	1,849	1,849	1,849	1,849
6,350	6,400	956	956	956	956	9,350	9,400	1,406	1,406	1,406	1,406	12,350	12,400	1,856	1,856	1,856	1,856
6,400	6,450	964	964	964	964	9,400	9,450	1,414	1,414	1,414	1,414	12,400	12,450	1,864	1,864	1,864	1,864
6,450	6,500	971	971	971	971	9,450	9,500	1,421	1,421	1,421	1,421	12,450	12,500	1,871	1,871	1,871	1,871
6,500	6,550	979	979	979	979	9,500	9,550	1,429	1,429	1,429	1,429	12,500	12,550	1,879	1,879	1,879	1,879
6,550	6,600	986	986	986	986	9,550	9,600	1,436	1,436	1,436	1,436	12,550	12,600	1,886	1,886	1,886	1,886
6,600	6,650	994	994	994	994	9,600	9,650	1,444	1,444	1,444	1,444	12,600	12,650	1,894	1,894	1,894	1,894
6,650	6,700	1,001	1,001	1,001	1,001	9,650	9,700	1,451	1,451	1,451	1,451	12,650	12,700	1,901	1,901	1,901	1,901
6,700	6,750	1,009	1,009	1,009	1,009	9,700	9,750	1,459	1,459	1,459	1,459	12,700	12,750	1,909	1,909	1,909	1,909
6,750	6,800	1,016	1,016	1,016	1,016	9,750	9,800	1,466	1,466	1,466	1,466	12,750	12,800	1,916	1,916	1,916	1,916
6,800	6,850	1,024	1,024	1,024	1,024	9,800	9,850	1,474	1,474	1,474	1,474	12,800	12,850	1,924	1,924	1,924	1,924
6,850	6,900	1,031	1,031	1,031	1,031	9,850	9,900	1,481	1,481	1,481	1,481	12,850	12,900	1,931	1,931	1,931	1,931
6,900	6,950	1,039	1,039	1,039	1,039	9,900	9,950	1,489	1,489	1,489	1,489	12,900	12,950	1,939	1,939	1,939	1,939
6,950	7,000	1,046	1,046	1,046	1,046	9,950	10,000	1,496	1,496	1,496	1,496	12,950	13,000	1,946	1,946	1,946	1,946
7,000						10,000						13,000					
7,000	7,050	1,054	1,054	1,054	1,054	10,000	10,050	1,504	1,504	1,504	1,504	13,000	13,050	1,954	1,954	1,954	1,954
7,050	7,100	1,061	1,061	1,061	1,061	10,050	10,100	1,511	1,511	1,511	1,511	13,050	13,100	1,961	1,961	1,961	1,961
7,100	7,150	1,069	1,069	1,069	1,069	10,100	10,150	1,519	1,519	1,519	1,519	13,100	13,150	1,969	1,969	1,969	1,969
7,150	7,200	1,076	1,076	1,076	1,076	10,150	10,200	1,526	1,526	1,526	1,526	13,150	13,200	1,976	1,976	1,976	1,976
7,200	7,250	1,084	1,084	1,084	1,084	10,200	10,250	1,534	1,534	1,534	1,534	13,200	13,250	1,984	1,984	1,984	1,984
7,250	7,300	1,091	1,091	1,091	1,091	10,250	10,300	1,541	1,541	1,541	1,541	13,250	13,300	1,991	1,991	1,991	1,991
7,300	7,350	1,099	1,099	1,099	1,099	10,300	10,350	1,549	1,549	1,549	1,549	13,300	13,350	1,999	1,999	1,999	1,999
7,350	7,400	1,106	1,106	1,106	1,106	10,350	10,400	1,556	1,556	1,556	1,556	13,350	13,400	2,006	2,006	2,006	2,006
7,400	7,450	1,114	1,114	1,114	1,114	10,400	10,450	1,564	1,564	1,564	1,564	13,400	13,450	2,014	2,014	2,014	2,014
7,450	7,500	1,121	1,121	1,121	1,121	10,450	10,500	1,571	1,571	1,571	1,571	13,450	13,500	2,021	2,021	2,021	2,021
7,500	7,550	1,129	1,129	1,129	1,129	10,500	10,550	1,579	1,579	1,579	1,579	13,500	13,550	2,029	2,029	2,029	2,029
7,550	7,600	1,136	1,136	1,136	1,136	10,550	10,600	1,586	1,586	1,586	1,586	13,550	13,600	2,036	2,036	2,036	2,036
7,600	7,650	1,144	1,144	1,144	1,144	10,600	10,650	1,594	1,594	1,594	1,594	13,600	13,650	2,044	2,044	2,044	2,044
7,650	7,700	1,151	1,151	1,151	1,151	10,650	10,700	1,601	1,601	1,601	1,601	13,650	13,700	2,051	2,051	2,051	2,051
7,700	7,750	1,159	1,159	1,159	1,159	10,700	10,750	1,609	1,609	1,609	1,609	13,700	13,750	2,059	2,059	2,059	2,059
7,750	7,800	1,166	1,166	1,166	1,166	10,750	10,800	1,616	1,616	1,616	1,616	13,750	13,800	2,066	2,066	2,066	2,066
7,800	7,850	1,174	1,174	1,174	1,174	10,800	10,850	1,624	1,624	1,624	1,624	13,800	13,850	2,074	2,074	2,074	2,074
7,850	7,900	1,181	1,181	1,181	1,181	10,850	10,900	1,631	1,631	1,631	1,631	13,850	13,900	2,081	2,081	2,081	2,081
7,900	7,950	1,189	1,189	1,189	1,189	10,900	10,950	1,639	1,639	1,639	1,639	13,900	13,950	2,089	2,089	2,089	2,089
7,950	8,000	1,196	1,196	1,196	1,196	10,950	11,000	1,646	1,646	1,646	1,646	13,950	14,000	2,096	2,096	2,096	2,096

* This column must also be used by a qualifying widow(er).

Continued on next page

1988 Tax Table—*Continued*

If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—			
At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
14,000						**17,000**						**20,000**					
14,000	14,050	2,104	2,104	2,104	2,104	17,000	17,050	2,554	2,554	2,833	2,554	20,000	20,050	3,287	3,004	3,673	3,004
14,050	14,100	2,111	2,111	2,111	2,111	17,050	17,100	2,561	2,561	2,847	2,561	20,050	20,100	3,301	3,011	3,687	3,011
14,100	14,150	2,119	2,119	2,119	2,119	17,100	17,150	2,569	2,569	2,861	2,569	20,100	20,150	3,315	3,019	3,701	3,019
14,150	14,200	2,126	2,126	2,126	2,126	17,150	17,200	2,576	2,576	2,875	2,576	20,150	20,200	3,329	3,026	3,715	3,026
14,200	14,250	2,134	2,134	2,134	2,134	17,200	17,250	2,584	2,584	2,889	2,584	20,200	20,250	3,343	3,034	3,729	3,034
14,250	14,300	2,141	2,141	2,141	2,141	17,250	17,300	2,591	2,591	2,903	2,591	20,250	20,300	3,357	3,041	3,743	3,041
14,300	14,350	2,149	2,149	2,149	2,149	17,300	17,350	2,599	2,599	2,917	2,599	20,300	20,350	3,371	3,049	3,757	3,049
14,350	14,400	2,156	2,156	2,156	2,156	17,350	17,400	2,606	2,606	2,931	2,606	20,350	20,400	3,385	3,056	3,771	3,056
14,400	14,450	2,164	2,164	2,164	2,164	17,400	17,450	2,614	2,614	2,945	2,614	20,400	20,450	3,399	3,064	3,785	3,064
14,450	14,500	2,171	2,171	2,171	2,171	17,450	17,500	2,621	2,621	2,959	2,621	20,450	20,500	3,413	3,071	3,799	3,071
14,500	14,550	2,179	2,179	2,179	2,179	17,500	17,550	2,629	2,629	2,973	2,629	20,500	20,550	3,427	3,079	3,813	3,079
14,550	14,600	2,186	2,186	2,186	2,186	17,550	17,600	2,636	2,636	2,987	2,636	20,550	20,600	3,441	3,086	3,827	3,086
14,600	14,650	2,194	2,194	2,194	2,194	17,600	17,650	2,644	2,644	3,001	2,644	20,600	20,650	3,455	3,094	3,841	3,094
14,650	14,700	2,201	2,201	2,201	2,201	17,650	17,700	2,651	2,651	3,015	2,651	20,650	20,700	3,469	3,101	3,855	3,101
14,700	14,750	2,209	2,209	2,209	2,209	17,700	17,750	2,659	2,659	3,029	2,659	20,700	20,750	3,483	3,109	3,869	3,109
14,750	14,800	2,216	2,216	2,216	2,216	17,750	17,800	2,666	2,666	3,043	2,666	20,750	20,800	3,497	3,116	3,883	3,116
14,800	14,850	2,224	2,224	2,224	2,224	17,800	17,850	2,674	2,674	3,057	2,674	20,800	20,850	3,511	3,124	3,897	3,124
14,850	14,900	2,231	2,231	2,231	2,231	17,850	17,900	2,685	2,681	3,071	2,681	20,850	20,900	3,525	3,131	3,911	3,131
14,900	14,950	2,239	2,239	2,245	2,239	17,900	17,950	2,699	2,689	3,085	2,689	20,900	20,950	3,539	3,139	3,925	3,139
14,950	15,000	2,246	2,246	2,259	2,246	17,950	18,000	2,713	2,696	3,099	2,696	20,950	21,000	3,553	3,146	3,939	3,146
15,000						**18,000**						**21,000**					
15,000	15,050	2,254	2,254	2,273	2,254	18,000	18,050	2,727	2,704	3,113	2,704	21,000	21,050	3,567	3,154	3,953	3,154
15,050	15,100	2,261	2,261	2,287	2,261	18,050	18,100	2,741	2,711	3,127	2,711	21,050	21,100	3,581	3,161	3,967	3,161
15,100	15,150	2,269	2,269	2,301	2,269	18,100	18,150	2,755	2,719	3,141	2,719	21,100	21,150	3,595	3,169	3,981	3,169
15,150	15,200	2,276	2,276	2,315	2,276	18,150	18,200	2,769	2,726	3,155	2,726	21,150	21,200	3,609	3,176	3,995	3,176
15,200	15,250	2,284	2,284	2,329	2,284	18,200	18,250	2,783	2,734	3,169	2,734	21,200	21,250	3,623	3,184	4,009	3,184
15,250	15,300	2,291	2,291	2,343	2,291	18,250	18,300	2,797	2,741	3,183	2,741	21,250	21,300	3,637	3,191	4,023	3,191
15,300	15,350	2,299	2,299	2,357	2,299	18,300	18,350	2,811	2,749	3,197	2,749	21,300	21,350	3,651	3,199	4,037	3,199
15,350	15,400	2,306	2,306	2,371	2,306	18,350	18,400	2,825	2,756	3,211	2,756	21,350	21,400	3,665	3,206	4,051	3,206
15,400	15,450	2,314	2,314	2,385	2,314	18,400	18,450	2,839	2,764	3,225	2,764	21,400	21,450	3,679	3,214	4,065	3,214
15,450	15,500	2,321	2,321	2,399	2,321	18,450	18,500	2,853	2,771	3,239	2,771	21,450	21,500	3,693	3,221	4,079	3,221
15,500	15,550	2,329	2,329	2,413	2,329	18,500	18,550	2,867	2,779	3,253	2,779	21,500	21,550	3,707	3,229	4,093	3,229
15,550	15,600	2,336	2,336	2,427	2,336	18,550	18,600	2,881	2,786	3,267	2,786	21,550	21,600	3,721	3,236	4,107	3,236
15,600	15,650	2,344	2,344	2,441	2,344	18,600	18,650	2,895	2,794	3,281	2,794	21,600	21,650	3,735	3,244	4,121	3,244
15,650	15,700	2,351	2,351	2,455	2,351	18,650	18,700	2,909	2,801	3,295	2,801	21,650	21,700	3,749	3,251	4,135	3,251
15,700	15,750	2,359	2,359	2,469	2,359	18,700	18,750	2,923	2,809	3,309	2,809	21,700	21,750	3,763	3,259	4,149	3,259
15,750	15,800	2,366	2,366	2,483	2,366	18,750	18,800	2,937	2,816	3,323	2,816	21,750	21,800	3,777	3,266	4,163	3,266
15,800	15,850	2,374	2,374	2,497	2,374	18,800	18,850	2,951	2,824	3,337	2,824	21,800	21,850	3,791	3,274	4,177	3,274
15,850	15,900	2,381	2,381	2,511	2,381	18,850	18,900	2,965	2,831	3,351	2,831	21,850	21,900	3,805	3,281	4,191	3,281
15,900	15,950	2,389	2,389	2,525	2,389	18,900	18,950	2,979	2,839	3,365	2,839	21,900	21,950	3,819	3,289	4,205	3,289
15,950	16,000	2,396	2,396	2,539	2,396	18,950	19,000	2,993	2,846	3,379	2,846	21,950	22,000	3,833	3,296	4,219	3,296
16,000						**19,000**						**22,000**					
16,000	16,050	2,404	2,404	2,553	2,404	19,000	19,050	3,007	2,854	3,393	2,854	22,000	22,050	3,847	3,304	4,233	3,304
16,050	16,100	2,411	2,411	2,567	2,411	19,050	19,100	3,021	2,861	3,407	2,861	22,050	22,100	3,861	3,311	4,247	3,311
16,100	16,150	2,419	2,419	2,581	2,419	19,100	19,150	3,035	2,869	3,421	2,869	22,100	22,150	3,875	3,319	4,261	3,319
16,150	16,200	2,426	2,426	2,595	2,426	19,150	19,200	3,049	2,876	3,435	2,876	22,150	22,200	3,889	3,326	4,275	3,326
16,200	16,250	2,434	2,434	2,609	2,434	19,200	19,250	3,063	2,884	3,449	2,884	22,200	22,250	3,903	3,334	4,289	3,334
16,250	16,300	2,441	2,441	2,623	2,441	19,250	19,300	3,077	2,891	3,463	2,891	22,250	22,300	3,917	3,341	4,303	3,341
16,300	16,350	2,449	2,449	2,637	2,449	19,300	19,350	3,091	2,899	3,477	2,899	22,300	22,350	3,931	3,349	4,317	3,349
16,350	16,400	2,456	2,456	2,651	2,456	19,350	19,400	3,105	2,906	3,491	2,906	22,350	22,400	3,945	3,356	4,331	3,356
16,400	16,450	2,464	2,464	2,665	2,464	19,400	19,450	3,119	2,914	3,505	2,914	22,400	22,450	3,959	3,364	4,345	3,364
16,450	16,500	2,471	2,471	2,679	2,471	19,450	19,500	3,133	2,921	3,519	2,921	22,450	22,500	3,973	3,371	4,359	3,371
16,500	16,550	2,479	2,479	2,693	2,479	19,500	19,550	3,147	2,929	3,533	2,929	22,500	22,550	3,987	3,379	4,373	3,379
16,550	16,600	2,486	2,486	2,707	2,486	19,550	19,600	3,161	2,936	3,547	2,936	22,550	22,600	4,001	3,386	4,387	3,386
16,600	16,650	2,494	2,494	2,721	2,494	19,600	19,650	3,175	2,944	3,561	2,944	22,600	22,650	4,015	3,394	4,401	3,394
16,650	16,700	2,501	2,501	2,735	2,501	19,650	19,700	3,189	2,951	3,575	2,951	22,650	22,700	4,029	3,401	4,415	3,401
16,700	16,750	2,509	2,509	2,749	2,509	19,700	19,750	3,203	2,959	3,589	2,959	22,700	22,750	4,043	3,409	4,429	3,409
16,750	16,800	2,516	2,516	2,763	2,516	19,750	19,800	3,217	2,966	3,603	2,966	22,750	22,800	4,057	3,416	4,443	3,416
16,800	16,850	2,524	2,524	2,777	2,524	19,800	19,850	3,231	2,974	3,617	2,974	22,800	22,850	4,071	3,424	4,457	3,424
16,850	16,900	2,531	2,531	2,791	2,531	19,850	19,900	3,245	2,981	3,631	2,981	22,850	22,900	4,085	3,431	4,471	3,431
16,900	16,950	2,539	2,539	2,805	2,539	19,900	19,950	3,259	2,989	3,645	2,989	22,900	22,950	4,099	3,439	4,485	3,439
16,950	17,000	2,546	2,546	2,819	2,546	19,950	20,000	3,273	2,996	3,659	2,996	22,950	23,000	4,113	3,446	4,499	3,446

* This column must also be used by a qualifying widow(er).

Continued on next page

1988 Tax Table—*Continued*

If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—			
At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
23,000						**26,000**						**29,000**					
23,000	23,050	4,127	3,454	4,513	3,454	26,000	26,050	4,967	3,904	5,353	4,180	29,000	29,050	5,807	4,354	6,193	5,020
23,050	23,100	4,141	3,461	4,527	3,461	26,050	26,100	4,981	3,911	5,367	4,194	29,050	29,100	5,821	4,361	6,207	5,034
23,100	23,150	4,155	3,469	4,541	3,469	26,100	26,150	4,995	3,919	5,381	4,208	29,100	29,150	5,835	4,369	6,221	5,048
23,150	23,200	4,169	3,476	4,555	3,476	26,150	26,200	5,009	3,926	5,395	4,222	29,150	29,200	5,849	4,376	6,235	5,062
23,200	23,250	4,183	3,484	4,569	3,484	26,200	26,250	5,023	3,934	5,409	4,236	29,200	29,250	5,863	4,384	6,249	5,076
23,250	23,300	4,197	3,491	4,583	3,491	26,250	26,300	5,037	3,941	5,423	4,250	29,250	29,300	5,877	4,391	6,263	5,090
23,300	23,350	4,211	3,499	4,597	3,499	26,300	26,350	5,051	3,949	5,437	4,264	29,300	29,350	5,891	4,399	6,277	5,104
23,350	23,400	4,225	3,506	4,611	3,506	26,350	26,400	5,065	3,956	5,451	4,278	29,350	29,400	5,905	4,406	6,291	5,118
23,400	23,450	4,239	3,514	4,625	3,514	26,400	26,450	5,079	3,964	5,465	4,292	29,400	29,450	5,919	4,414	6,305	5,132
23,450	23,500	4,253	3,521	4,639	3,521	26,450	26,500	5,093	3,971	5,479	4,306	29,450	29,500	5,933	4,421	6,319	5,146
23,500	23,550	4,267	3,529	4,653	3,529	26,500	26,550	5,107	3,979	5,493	4,320	29,500	29,550	5,947	4,429	6,333	5,160
23,550	23,600	4,281	3,536	4,667	3,536	26,550	26,600	5,121	3,986	5,507	4,334	29,550	29,600	5,961	4,436	6,347	5,174
23,600	23,650	4,295	3,544	4,681	3,544	26,600	26,650	5,135	3,994	5,521	4,348	29,600	29,650	5,975	4,444	6,361	5,188
23,650	23,700	4,309	3,551	4,695	3,551	26,650	26,700	5,149	4,001	5,535	4,362	29,650	29,700	5,989	4,451	6,375	5,202
23,700	23,750	4,323	3,559	4,709	3,559	26,700	26,750	5,163	4,009	5,549	4,376	29,700	29,750	6,003	4,459	6,389	5,216
23,750	23,800	4,337	3,566	4,723	3,566	26,750	26,800	5,177	4,016	5,563	4,390	29,750	29,800	6,017	4,470	6,403	5,230
23,800	23,850	4,351	3,574	4,737	3,574	26,800	26,850	5,191	4,024	5,577	4,404	29,800	29,850	6,031	4,484	6,417	5,244
23,850	23,900	4,365	3,581	4,751	3,581	26,850	26,900	5,205	4,031	5,591	4,418	29,850	29,900	6,045	4,498	6,431	5,258
23,900	23,950	4,379	3,589	4,765	3,592	26,900	26,950	5,219	4,039	5,605	4,432	29,900	29,950	6,059	4,512	6,445	5,272
23,950	24,000	4,393	3,596	4,779	3,606	26,950	27,000	5,233	4,046	5,619	4,446	29,950	30,000	6,073	4,526	6,459	5,286
24,000						**27,000**						**30,000**					
24,000	24,050	4,407	3,604	4,793	3,620	27,000	27,050	5,247	4,054	5,633	4,460	30,000	30,050	6,087	4,540	6,473	5,300
24,050	24,100	4,421	3,611	4,807	3,634	27,050	27,100	5,261	4,061	5,647	4,474	30,050	30,100	6,101	4,554	6,487	5,314
24,100	24,150	4,435	3,619	4,821	3,648	27,100	27,150	5,275	4,069	5,661	4,488	30,100	30,150	6,115	4,568	6,501	5,328
24,150	24,200	4,449	3,626	4,835	3,662	27,150	27,200	5,289	4,076	5,675	4,502	30,150	30,200	6,129	4,582	6,515	5,342
24,200	24,250	4,463	3,634	4,849	3,676	27,200	27,250	5,303	4,084	5,689	4,516	30,200	30,250	6,143	4,596	6,529	5,356
24,250	24,300	4,477	3,641	4,863	3,690	27,250	27,300	5,317	4,091	5,703	4,530	30,250	30,300	6,157	4,610	6,543	5,370
24,300	24,350	4,491	3,649	4,877	3,704	27,300	27,350	5,331	4,099	5,717	4,544	30,300	30,350	6,171	4,624	6,557	5,384
24,350	24,400	4,505	3,656	4,891	3,718	27,350	27,400	5,345	4,106	5,731	4,558	30,350	30,400	6,185	4,638	6,571	5,398
24,400	24,450	4,519	3,664	4,905	3,732	27,400	27,450	5,359	4,114	5,745	4,572	30,400	30,450	6,199	4,652	6,585	5,412
24,450	24,500	4,533	3,671	4,919	3,746	27,450	27,500	5,373	4,121	5,759	4,586	30,450	30,500	6,213	4,666	6,599	5,426
24,500	24,550	4,547	3,679	4,933	3,760	27,500	27,550	5,387	4,129	5,773	4,600	30,500	30,550	6,227	4,680	6,613	5,440
24,550	24,600	4,561	3,686	4,947	3,774	27,550	27,600	5,401	4,136	5,787	4,614	30,550	30,600	6,241	4,694	6,627	5,454
24,600	24,650	4,575	3,694	4,961	3,788	27,600	27,650	5,415	4,144	5,801	4,628	30,600	30,650	6,255	4,708	6,641	5,468
24,650	24,700	4,589	3,701	4,975	3,802	27,650	27,700	5,429	4,151	5,815	4,642	30,650	30,700	6,269	4,722	6,655	5,482
24,700	24,750	4,603	3,709	4,989	3,816	27,700	27,750	5,443	4,159	5,829	4,656	30,700	30,750	6,283	4,736	6,669	5,496
24,750	24,800	4,617	3,716	5,003	3,830	27,750	27,800	5,457	4,166	5,843	4,670	30,750	30,800	6,297	4,750	6,683	5,510
24,800	24,850	4,631	3,724	5,017	3,844	27,800	27,850	5,471	4,174	5,857	4,684	30,800	30,850	6,311	4,764	6,697	5,524
24,850	24,900	4,645	3,731	5,031	3,858	27,850	27,900	5,485	4,181	5,871	4,698	30,850	30,900	6,325	4,778	6,711	5,538
24,900	24,950	4,659	3,739	5,045	3,872	27,900	27,950	5,499	4,189	5,885	4,712	30,900	30,950	6,339	4,792	6,725	5,552
24,950	25,000	4,673	3,746	5,059	3,886	27,950	28,000	5,513	4,196	5,899	4,726	30,950	31,000	6,353	4,806	6,739	5,566
25,000						**28,000**						**31,000**					
25,000	25,050	4,687	3,754	5,073	3,900	28,000	28,050	5,527	4,204	5,913	4,740	31,000	31,050	6,367	4,820	6,753	5,580
25,050	25,100	4,701	3,761	5,087	3,914	28,050	28,100	5,541	4,211	5,927	4,754	31,050	31,100	6,381	4,834	6,767	5,594
25,100	25,150	4,715	3,769	5,101	3,928	28,100	28,150	5,555	4,219	5,941	4,768	31,100	31,150	6,395	4,848	6,781	5,608
25,150	25,200	4,729	3,776	5,115	3,942	28,150	28,200	5,569	4,226	5,955	4,782	31,150	31,200	6,409	4,862	6,795	5,622
25,200	25,250	4,743	3,784	5,129	3,956	28,200	28,250	5,583	4,234	5,969	4,796	31,200	31,250	6,423	4,876	6,809	5,636
25,250	25,300	4,757	3,791	5,143	3,970	28,250	28,300	5,597	4,241	5,983	4,810	31,250	31,300	6,437	4,890	6,823	5,650
25,300	25,350	4,771	3,799	5,157	3,984	28,300	28,350	5,611	4,249	5,997	4,824	31,300	31,350	6,451	4,904	6,837	5,664
25,350	25,400	4,785	3,806	5,171	3,998	28,350	28,400	5,625	4,256	6,011	4,838	31,350	31,400	6,465	4,918	6,851	5,678
25,400	25,450	4,799	3,814	5,185	4,012	28,400	28,450	5,639	4,264	6,025	4,852	31,400	31,450	6,479	4,932	6,865	5,692
25,450	25,500	4,813	3,821	5,199	4,026	28,450	28,500	5,653	4,271	6,039	4,866	31,450	31,500	6,493	4,946	6,879	5,706
25,500	25,550	4,827	3,829	5,213	4,040	28,500	28,550	5,667	4,279	6,053	4,880	31,500	31,550	6,507	4,960	6,893	5,720
25,550	25,600	4,841	3,836	5,227	4,054	28,550	28,600	5,681	4,286	6,067	4,894	31,550	31,600	6,521	4,974	6,907	5,734
25,600	25,650	4,855	3,844	5,241	4,068	28,600	28,650	5,695	4,294	6,081	4,908	31,600	31,650	6,535	4,988	6,921	5,748
25,650	25,700	4,869	3,851	5,255	4,082	28,650	28,700	5,709	4,301	6,095	4,922	31,650	31,700	6,549	5,002	6,935	5,762
25,700	25,750	4,883	3,859	5,269	4,096	28,700	28,750	5,723	4,309	6,109	4,936	31,700	31,750	6,563	5,016	6,949	5,776
25,750	25,800	4,897	3,866	5,283	4,110	28,750	28,800	5,737	4,316	6,123	4,950	31,750	31,800	6,577	5,030	6,963	5,790
25,800	25,850	4,911	3,874	5,297	4,124	28,800	28,850	5,751	4,324	6,137	4,964	31,800	31,850	6,591	5,044	6,977	5,804
25,850	25,900	4,925	3,881	5,311	4,138	28,850	28,900	5,765	4,331	6,151	4,978	31,850	31,900	6,605	5,058	6,991	5,818
25,900	25,950	4,939	3,889	5,325	4,152	28,900	28,950	5,779	4,339	6,165	4,992	31,900	31,950	6,619	5,072	7,005	5,832
25,950	26,000	4,953	3,896	5,339	4,166	28,950	29,000	5,793	4,346	6,179	5,006	31,950	32,000	6,633	5,086	7,019	5,846

* This column must also be used by a qualifying widow(er).

Continued on next page

1988 Tax Table—*Continued*

If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—			
At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
32,000						**35,000**						**38,000**					
32,000	32,050	6,647	5,100	7,033	5,860	35,000	35,050	7,487	5,940	7,873	6,700	38,000	38,050	8,327	6,780	8,817	7,540
32,050	32,100	6,661	5,114	7,047	5,874	35,050	35,100	7,501	5,954	7,887	6,714	38,050	38,100	8,341	6,794	8,834	7,554
32,100	32,150	6,675	5,128	7,061	5,888	35,100	35,150	7,515	5,968	7,901	6,728	38,100	38,150	8,355	6,808	8,850	7,568
32,150	32,200	6,689	5,142	7,075	5,902	35,150	35,200	7,529	5,982	7,915	6,742	38,150	38,200	8,369	6,822	8,867	7,582
32,200	32,250	6,703	5,156	7,089	5,916	35,200	35,250	7,543	5,996	7,929	6,756	38,200	38,250	8,383	6,836	8,883	7,596
32,250	32,300	6,717	5,170	7,103	5,930	35,250	35,300	7,557	6,010	7,943	6,770	38,250	38,300	8,397	6,850	8,900	7,610
32,300	32,350	6,731	5,184	7,117	5,944	35,300	35,350	7,571	6,024	7,957	6,784	38,300	38,350	8,411	6,864	8,916	7,624
32,350	32,400	6,745	5,198	7,131	5,958	35,350	35,400	7,585	6,038	7,971	6,798	38,350	38,400	8,425	6,878	8,933	7,638
32,400	32,450	6,759	5,212	7,145	5,972	35,400	35,450	7,599	6,052	7,985	6,812	38,400	38,450	8,439	6,892	8,949	7,652
32,450	32,500	6,773	5,226	7,159	5,986	35,450	35,500	7,613	6,066	7,999	6,826	38,450	38,500	8,453	6,906	8,966	7,666
32,500	32,550	6,787	5,240	7,173	6,000	35,500	35,550	7,627	6,080	8,013	6,840	38,500	38,550	8,467	6,920	8,982	7,680
32,550	32,600	6,801	5,254	7,187	6,014	35,550	35,600	7,641	6,094	8,027	6,854	38,550	38,600	8,481	6,934	8,999	7,694
32,600	32,650	6,815	5,268	7,201	6,028	35,600	35,650	7,655	6,108	8,041	6,868	38,600	38,650	8,495	6,948	9,015	7,708
32,650	32,700	6,829	5,282	7,215	6,042	35,650	35,700	7,669	6,122	8,055	6,882	38,650	38,700	8,509	6,962	9,032	7,722
32,700	32,750	6,843	5,296	7,229	6,056	35,700	35,750	7,683	6,136	8,069	6,896	38,700	38,750	8,523	6,976	9,048	7,736
32,750	32,800	6,857	5,310	7,243	6,070	35,750	35,800	7,697	6,150	8,083	6,910	38,750	38,800	8,537	6,990	9,065	7,750
32,800	32,850	6,871	5,324	7,257	6,084	35,800	35,850	7,711	6,164	8,097	6,924	38,800	38,850	8,551	7,004	9,081	7,764
32,850	32,900	6,885	5,338	7,271	6,098	35,850	35,900	7,725	6,178	8,111	6,938	38,850	38,900	8,565	7,018	9,098	7,778
32,900	32,950	6,899	5,352	7,285	6,112	35,900	35,950	7,739	6,192	8,125	6,952	38,900	38,950	8,579	7,032	9,114	7,792
32,950	33,000	6,913	5,366	7,299	6,126	35,950	36,000	7,753	6,206	8,141	6,966	38,950	39,000	8,593	7,046	9,131	7,806
33,000						**36,000**						**39,000**					
33,000	33,050	6,927	5,380	7,313	6,140	36,000	36,050	7,767	6,220	8,157	6,980	39,000	39,050	8,607	7,060	9,147	7,820
33,050	33,100	6,941	5,394	7,327	6,154	36,050	36,100	7,781	6,234	8,174	6,994	39,050	39,100	8,621	7,074	9,164	7,834
33,100	33,150	6,955	5,408	7,341	6,168	36,100	36,150	7,795	6,248	8,190	7,008	39,100	39,150	8,635	7,088	9,180	7,848
33,150	33,200	6,969	5,422	7,355	6,182	36,150	36,200	7,809	6,262	8,207	7,022	39,150	39,200	8,649	7,102	9,197	7,862
33,200	33,250	6,983	5,436	7,369	6,196	36,200	36,250	7,823	6,276	8,223	7,036	39,200	39,250	8,663	7,116	9,213	7,876
33,250	33,300	6,997	5,450	7,383	6,210	36,250	36,300	7,837	6,290	8,240	7,050	39,250	39,300	8,677	7,130	9,230	7,890
33,300	33,350	7,011	5,464	7,397	6,224	36,300	36,350	7,851	6,304	8,256	7,064	39,300	39,350	8,691	7,144	9,246	7,904
33,350	33,400	7,025	5,478	7,411	6,238	36,350	36,400	7,865	6,318	8,273	7,078	39,350	39,400	8,705	7,158	9,263	7,918
33,400	33,450	7,039	5,492	7,425	6,252	36,400	36,450	7,879	6,332	8,289	7,092	39,400	39,450	8,719	7,172	9,279	7,932
33,450	33,500	7,053	5,506	7,439	6,266	36,450	36,500	7,893	6,346	8,306	7,106	39,450	39,500	8,733	7,186	9,296	7,946
33,500	33,550	7,067	5,520	7,453	6,280	36,500	36,550	7,907	6,360	8,322	7,120	39,500	39,550	8,747	7,200	9,312	7,960
33,550	33,600	7,081	5,534	7,467	6,294	36,550	36,600	7,921	6,374	8,339	7,134	39,550	39,600	8,761	7,214	9,329	7,974
33,600	33,650	7,095	5,548	7,481	6,308	36,600	36,650	7,935	6,388	8,355	7,148	39,600	39,650	8,775	7,228	9,345	7,988
33,650	33,700	7,109	5,562	7,495	6,322	36,650	36,700	7,949	6,402	8,372	7,162	39,650	39,700	8,789	7,242	9,362	8,002
33,700	33,750	7,123	5,576	7,509	6,336	36,700	36,750	7,963	6,416	8,388	7,176	39,700	39,750	8,803	7,256	9,378	8,016
33,750	33,800	7,137	5,590	7,523	6,350	36,750	36,800	7,977	6,430	8,405	7,190	39,750	39,800	8,817	7,270	9,395	8,030
33,800	33,850	7,151	5,604	7,537	6,364	36,800	36,850	7,991	6,444	8,421	7,204	39,800	39,850	8,831	7,284	9,411	8,044
33,850	33,900	7,165	5,618	7,551	6,378	36,850	36,900	8,005	6,458	8,438	7,218	39,850	39,900	8,845	7,298	9,428	8,058
33,900	33,950	7,179	5,632	7,565	6,392	36,900	36,950	8,019	6,472	8,454	7,232	39,900	39,950	8,859	7,312	9,444	8,072
33,950	34,000	7,193	5,646	7,579	6,406	36,950	37,000	8,033	6,486	8,471	7,246	39,950	40,000	8,873	7,326	9,461	8,086
34,000						**37,000**						**40,000**					
34,000	34,050	7,207	5,660	7,593	6,420	37,000	37,050	8,047	6,500	8,487	7,260	40,000	40,050	8,887	7,340	9,477	8,100
34,050	34,100	7,221	5,674	7,607	6,434	37,050	37,100	8,061	6,514	8,504	7,274	40,050	40,100	8,901	7,354	9,494	8,114
34,100	34,150	7,235	5,688	7,621	6,448	37,100	37,150	8,075	6,528	8,520	7,288	40,100	40,150	8,915	7,368	9,510	8,128
34,150	34,200	7,249	5,702	7,635	6,462	37,150	37,200	8,089	6,542	8,537	7,302	40,150	40,200	8,929	7,382	9,527	8,142
34,200	34,250	7,263	5,716	7,649	6,476	37,200	37,250	8,103	6,556	8,553	7,316	40,200	40,250	8,943	7,396	9,543	8,156
34,250	34,300	7,277	5,730	7,663	6,490	37,250	37,300	8,117	6,570	8,570	7,330	40,250	40,300	8,957	7,410	9,560	8,170
34,300	34,350	7,291	5,744	7,677	6,504	37,300	37,350	8,131	6,584	8,586	7,344	40,300	40,350	8,971	7,424	9,576	8,184
34,350	34,400	7,305	5,758	7,691	6,518	37,350	37,400	8,145	6,598	8,603	7,358	40,350	40,400	8,985	7,438	9,593	8,198
34,400	34,450	7,319	5,772	7,705	6,532	37,400	37,450	8,159	6,612	8,619	7,372	40,400	40,450	8,999	7,452	9,609	8,212
34,450	34,500	7,333	5,786	7,719	6,546	37,450	37,500	8,173	6,626	8,636	7,386	40,450	40,500	9,013	7,466	9,626	8,226
34,500	34,550	7,347	5,800	7,733	6,560	37,500	37,550	8,187	6,640	8,652	7,400	40,500	40,550	9,027	7,480	9,642	8,240
34,550	34,600	7,361	5,814	7,747	6,574	37,550	37,600	8,201	6,654	8,669	7,414	40,550	40,600	9,041	7,494	9,659	8,254
34,600	34,650	7,375	5,828	7,761	6,588	37,600	37,650	8,215	6,668	8,685	7,428	40,600	40,650	9,055	7,508	9,675	8,268
34,650	34,700	7,389	5,842	7,775	6,602	37,650	37,700	8,229	6,682	8,702	7,442	40,650	40,700	9,069	7,522	9,692	8,282
34,700	34,750	7,403	5,856	7,789	6,616	37,700	37,750	8,243	6,696	8,718	7,456	40,700	40,750	9,083	7,536	9,708	8,296
34,750	34,800	7,417	5,870	7,803	6,630	37,750	37,800	8,257	6,710	8,735	7,470	40,750	40,800	9,097	7,550	9,725	8,310
34,800	34,850	7,431	5,884	7,817	6,644	37,800	37,850	8,271	6,724	8,751	7,484	40,800	40,850	9,111	7,564	9,741	8,324
34,850	34,900	7,445	5,898	7,831	6,658	37,850	37,900	8,285	6,738	8,768	7,498	40,850	40,900	9,125	7,578	9,758	8,338
34,900	34,950	7,459	5,912	7,845	6,672	37,900	37,950	8,299	6,752	8,784	7,512	40,900	40,950	9,139	7,592	9,774	8,352
34,950	35,000	7,473	5,926	7,859	6,686	37,950	38,000	8,313	6,766	8,801	7,526	40,950	41,000	9,153	7,606	9,791	8,366

* This column must also be used by a qualifying widow(er).

Continued on next page

1988 Tax Table—*Continued*

If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—				If 1040A, line 19, OR 1040EZ, line 7 is—		And you are—			
At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single (and 1040EZ filers)	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
41,000						**44,000**						**47,000**					
41,000	41,050	9,167	7,620	9,807	8,380	44,000	44,050	10,050	8,460	10,797	9,220	47,000	47,050	11,040	9,300	11,787	10,060
41,050	41,100	9,181	7,634	9,824	8,394	44,050	44,100	10,067	8,474	10,814	9,234	47,050	47,100	11,057	9,314	11,804	10,074
41,100	41,150	9,195	7,648	9,840	8,408	44,100	44,150	10,083	8,488	10,830	9,248	47,100	47,150	11,073	9,328	11,820	10,088
41,150	41,200	9,209	7,662	9,857	8,422	44,150	44,200	10,100	8,502	10,847	9,262	47,150	47,200	11,090	9,342	11,837	10,102
41,200	41,250	9,223	7,676	9,873	8,436	44,200	44,250	10,116	8,516	10,863	9,276	47,200	47,250	11,106	9,356	11,853	10,116
41,250	41,300	9,237	7,690	9,890	8,450	44,250	44,300	10,133	8,530	10,880	9,290	47,250	47,300	11,123	9,370	11,870	10,130
41,300	41,350	9,251	7,704	9,906	8,464	44,300	44,350	10,149	8,544	10,896	9,304	47,300	47,350	11,139	9,384	11,886	10,144
41,350	41,400	9,265	7,718	9,923	8,478	44,350	44,400	10,166	8,558	10,913	9,318	47,350	47,400	11,156	9,398	11,903	10,158
41,400	41,450	9,279	7,732	9,939	8,492	44,400	44,450	10,182	8,572	10,929	9,332	47,400	47,450	11,172	9,412	11,919	10,172
41,450	41,500	9,293	7,746	9,956	8,506	44,450	44,500	10,199	8,586	10,946	9,346	47,450	47,500	11,189	9,426	11,936	10,186
41,500	41,550	9,307	7,760	9,972	8,520	44,500	44,550	10,215	8,600	10,962	9,360	47,500	47,550	11,205	9,440	11,952	10,200
41,550	41,600	9,321	7,774	9,989	8,534	44,550	44,600	10,232	8,614	10,979	9,374	47,550	47,600	11,222	9,454	11,969	10,214
41,600	41,650	9,335	7,788	10,005	8,548	44,600	44,650	10,248	8,628	10,995	9,388	47,600	47,650	11,238	9,468	11,985	10,228
41,650	41,700	9,349	7,802	10,022	8,562	44,650	44,700	10,265	8,642	11,012	9,402	47,650	47,700	11,255	9,482	12,002	10,242
41,700	41,750	9,363	7,816	10,038	8,576	44,700	44,750	10,281	8,656	11,028	9,416	47,700	47,750	11,271	9,496	12,018	10,256
41,750	41,800	9,377	7,830	10,055	8,590	44,750	44,800	10,298	8,670	11,045	9,430	47,750	47,800	11,288	9,510	12,035	10,270
41,800	41,850	9,391	7,844	10,071	8,604	44,800	44,850	10,314	8,684	11,061	9,444	47,800	47,850	11,304	9,524	12,051	10,284
41,850	41,900	9,405	7,858	10,088	8,618	44,850	44,900	10,331	8,698	11,078	9,458	47,850	47,900	11,321	9,538	12,068	10,298
41,900	41,950	9,419	7,872	10,104	8,632	44,900	44,950	10,347	8,712	11,094	9,472	47,900	47,950	11,337	9,552	12,084	10,312
41,950	42,000	9,433	7,886	10,121	8,646	44,950	45,000	10,364	8,726	11,111	9,486	47,950	48,000	11,354	9,566	12,101	10,326
42,000						**45,000**						**48,000**					
42,000	42,050	9,447	7,900	10,137	8,660	45,000	45,050	10,380	8,740	11,127	9,500	48,000	48,050	11,370	9,580	12,117	10,340
42,050	42,100	9,461	7,914	10,154	8,674	45,050	45,100	10,397	8,754	11,144	9,514	48,050	48,100	11,387	9,594	12,134	10,354
42,100	42,150	9,475	7,928	10,170	8,688	45,100	45,150	10,413	8,768	11,160	9,528	48,100	48,150	11,403	9,608	12,150	10,368
42,150	42,200	9,489	7,942	10,187	8,702	45,150	45,200	10,430	8,782	11,177	9,542	48,150	48,200	11,420	9,622	12,167	10,382
42,200	42,250	9,503	7,956	10,203	8,716	45,200	45,250	10,446	8,796	11,193	9,556	48,200	48,250	11,436	9,636	12,183	10,396
42,250	42,300	9,517	7,970	10,220	8,730	45,250	45,300	10,463	8,810	11,210	9,570	48,250	48,300	11,453	9,650	12,200	10,410
42,300	42,350	9,531	7,984	10,236	8,744	45,300	45,350	10,479	8,824	11,226	9,584	48,300	48,350	11,469	9,664	12,216	10,424
42,350	42,400	9,545	7,998	10,253	8,758	45,350	45,400	10,496	8,838	11,243	9,598	48,350	48,400	11,486	9,678	12,233	10,438
42,400	42,450	9,559	8,012	10,269	8,772	45,400	45,450	10,512	8,852	11,259	9,612	48,400	48,450	11,502	9,692	12,249	10,452
42,450	42,500	9,573	8,026	10,286	8,786	45,450	45,500	10,529	8,866	11,276	9,626	48,450	48,500	11,519	9,706	12,266	10,466
42,500	42,550	9,587	8,040	10,302	8,800	45,500	45,550	10,545	8,880	11,292	9,640	48,500	48,550	11,535	9,720	12,282	10,480
42,550	42,600	9,601	8,054	10,319	8,814	45,550	45,600	10,562	8,894	11,309	9,654	48,550	48,600	11,552	9,734	12,299	10,494
42,600	42,650	9,615	8,068	10,335	8,828	45,600	45,650	10,578	8,908	11,325	9,668	48,600	48,650	11,568	9,748	12,315	10,508
42,650	42,700	9,629	8,082	10,352	8,842	45,650	45,700	10,595	8,922	11,342	9,682	48,650	48,700	11,585	9,762	12,332	10,522
42,700	42,750	9,643	8,096	10,368	8,856	45,700	45,750	10,611	8,936	11,358	9,696	48,700	48,750	11,601	9,776	12,348	10,536
42,750	42,800	9,657	8,110	10,385	8,870	45,750	45,800	10,628	8,950	11,375	9,710	48,750	48,800	11,618	9,790	12,365	10,550
42,800	42,850	9,671	8,124	10,401	8,884	45,800	45,850	10,644	8,964	11,391	9,724	48,800	48,850	11,634	9,804	12,381	10,564
42,850	42,900	9,685	8,138	10,418	8,898	45,850	45,900	10,661	8,978	11,408	9,738	48,850	48,900	11,651	9,818	12,398	10,578
42,900	42,950	9,699	8,152	10,434	8,912	45,900	45,950	10,677	8,992	11,424	9,752	48,900	48,950	11,667	9,832	12,414	10,592
42,950	43,000	9,713	8,166	10,451	8,926	45,950	46,000	10,694	9,006	11,441	9,766	48,950	49,000	11,684	9,846	12,431	10,606
43,000						**46,000**						**49,000**					
43,000	43,050	9,727	8,180	10,467	8,940	46,000	46,050	10,710	9,020	11,457	9,780	49,000	49,050	11,700	9,860	12,447	10,620
43,050	43,100	9,741	8,194	10,484	8,954	46,050	46,100	10,727	9,034	11,474	9,794	49,050	49,100	11,717	9,874	12,464	10,634
43,100	43,150	9,755	8,208	10,500	8,968	46,100	46,150	10,743	9,048	11,490	9,808	49,100	49,150	11,733	9,888	12,480	10,648
43,150	43,200	9,770	8,222	10,517	8,982	46,150	46,200	10,760	9,062	11,507	9,822	49,150	49,200	11,750	9,902	12,497	10,662
43,200	43,250	9,786	8,236	10,533	8,996	46,200	46,250	10,776	9,076	11,523	9,836	49,200	49,250	11,766	9,916	12,513	10,676
43,250	43,300	9,803	8,250	10,550	9,010	46,250	46,300	10,793	9,090	11,540	9,850	49,250	49,300	11,783	9,930	12,530	10,690
43,300	43,350	9,819	8,264	10,566	9,024	46,300	46,350	10,809	9,104	11,556	9,864	49,300	49,350	11,799	9,944	12,546	10,704
43,350	43,400	9,836	9,278	10,583	9,038	46,350	46,400	10,826	9,118	11,573	9,878	49,350	49,400	11,816	9,958	12,563	10,718
43,400	43,450	9,852	8,292	10,599	9,052	46,400	46,450	10,842	9,132	11,589	9,892	49,400	49,450	11,832	9,972	12,579	10,732
43,450	43,500	9,869	8,306	10,616	9,066	46,450	46,500	10,859	9,146	11,606	9,906	49,450	49,500	11,849	9,986	12,596	10,746
43,500	43,550	9,885	8,320	10,632	9,080	46,500	46,550	10,875	9,160	11,622	9,920	49,500	49,550	11,866	10,000	12,612	10,760
43,550	43,600	9,902	8,334	10,649	9,094	46,550	46,600	10,892	9,174	11,639	9,934	49,550	49,600	11,882	10,014	12,629	10,774
43,600	43,650	9,918	8,348	10,665	9,108	46,600	46,650	10,908	9,188	11,655	9,948	49,600	49,650	11,898	10,028	12,645	10,788
43,650	43,700	9,935	8,362	10,682	9,122	46,650	46,700	10,925	9,202	11,672	9,962	49,650	49,700	11,915	10,042	12,662	10,802
43,700	43,750	9,951	8,376	10,698	9,136	46,700	46,750	10,941	9,216	11,688	9,976	49,700	49,750	11,931	10,056	12,678	10,816
43,750	43,800	9,968	8,390	10,715	9,150	46,750	46,800	10,958	9,230	11,705	9,990	49,750	49,800	11,948	10,070	12,695	10,830
43,800	43,850	9,984	8,404	10,731	9,164	46,800	46,850	10,974	9,244	11,721	10,004	49,800	49,850	11,964	10,084	12,711	10,844
43,850	43,900	10,001	8,418	10,748	9,178	46,850	46,900	10,991	9,258	11,738	10,018	49,850	49,900	11,981	10,098	12,728	10,858
43,900	43,950	10,017	8,432	10,764	9,192	46,900	46,950	11,007	9,272	11,754	10,032	49,900	49,950	11,997	10,112	12,744	10,872
43,950	44,000	10,034	8,446	10,781	9,206	46,950	47,000	11,024	9,286	11,771	10,046	49,950	50,000	12,014	10,126	12,761	10,886

* This column must also be used by a qualifying widow(er).

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Call IRS With Your Tax Question

If the instructions to the tax forms and our free tax publications have not answered your question, please call us TOLL-FREE. "Toll-Free" is a telephone call for which you pay only local charges.

CHOOSING THE RIGHT NUMBER: Use only the number listed below for your area. Use a local city number only if it is not a long distance call for you. **Please do not dial 1-800 when using a local city number.**

BEFORE YOU CALL: Remember that good communication is a two-way process. IRS representatives care about the quality of the service we provide to you, our customer. You can help us provide accurate, complete answers to your tax questions by having the following information available:

1. The tax form, schedule, or notice to which your question relates;
2. The facts about your particular situation (the answer to the same question often varies from one taxpayer to another because of differences in their age, income, whether they can be claimed as a dependent, etc.);
3. The name of any IRS publication or other source of information that you used to look for the answer.

BEFORE YOU HANG UP: If you do not fully understand the answer you receive, or you feel our representative may not fully understand your question, our representative needs to know this. He or she will be happy to take the additional time required to be sure we have answered your question fully and in the manner which is most helpful to you.

By law, you are responsible for paying your fair share of Federal income tax. If we should make an error in answering your question, you are still responsible for the payment of the correct tax. Should this occur, however, you will not be charged any penalty. To make sure that IRS representatives give accurate and courteous answers, a second IRS representative sometimes listens in on telephone calls. No record is kept of any taxpayer's identity.

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Indiana residents:
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Hours of Operation

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If you do not have any tax questions and you only need tax forms and publications, you can—

- Visit your local bank or post office for Forms 1040, 1040A, 1040EZ and Schedules A&B and their related instructions.
- Visit your local library that stocks a wider variety of forms and publications.
- Visit your local IRS office.
- Use the handy order blank on the next to the last page of the instructions. You should receive the items you order within 2 weeks of the time you mail your request.
- Call our toll-free "Forms Only" number (1-800-424-FORM (3676)). The hours of operation during the filing season are 8:00 A.M. to 8:00 P.M. (Monday-Friday) and 9:00 A.M. to 3:00 P.M. (Saturdays). You should receive your order within 7 to 10 work days after you call.

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